Nation's Business®

The Small Business Adviser

How To Harness Emotions At Work

Religious Bias Complaints Rise

High-Tech Solutions To Managing Traffic

Labor Comes Alive

Key Union Goal: Higher Wages

Business Beware: The AFL-CIO's new leader is mobilizing union drives nationwide.

Tactics Are Changing

A New Era?

Published by
U.S. Chamber of Commerce
FEBRUARY 1996 - $2.50

Our customer base just keeps buil

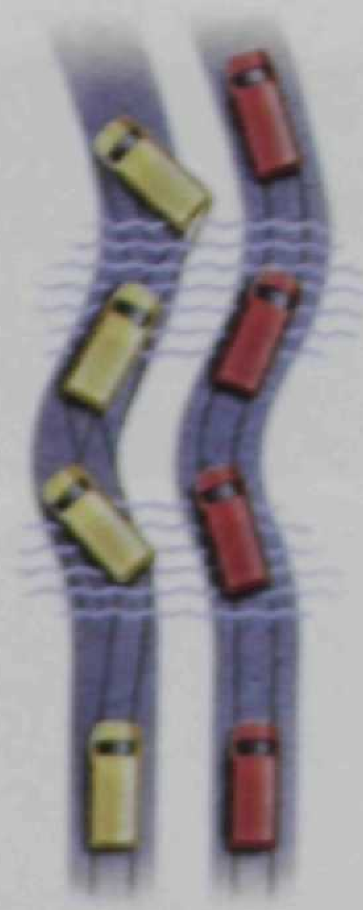
Standard driver's airbag. *Dodge is the only full line truck manufacturer to put a standard driver's airbag in*

every single truck it builds. So of course, Dodge Ram Van comes with one. With such dedication to safety, it's no wonder we keep so many of our customers.

V8 MAGNUM

More hard-working power. *Dodge has what is, overall, the most powerful line of truck engines on the planet. So it's no surprise Ram Van's 3.9L Magnum® V-6 engine gives you 175 horsepower. What's more, two Magnum V-8s are available – a 5.2L and a 5.9L.*

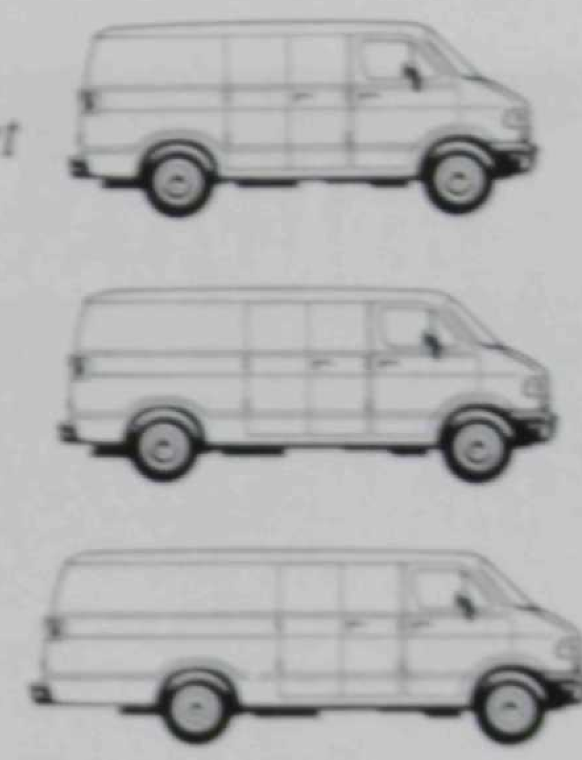
Standard anti-lock brakes. *To help you get to work safely, Ram Van is equipped with standard rear-wheel or available four-wheel anti-lock brakes.*



WITHOUT ANTI-LOCK BRAKES

WITH 4-WHEEL ANTI-LOCK BRAKES

Measurably better. *With Dodge Ram Van, you get to select among three body lengths. Not only that, Ram Van's maximum payload is greater than Ford, Chevy or GMC. And its maximum towing capacity is an impressive 9,000 lbs.*



We stand behind our work. *Ram Van is backed by our Customer One Care™ 3-year or 36,000-mile bumper-to-bumper warranty and 3/36 Roadside Assistance. There's a 7-year/100,000-mile outer body rust-through warranty, too.**

Solid value. *Your Dodge dealer offers a Ram Van Tradesman Package that includes many of the options you look for in a work van. For the name of your nearest dealer, or for information on commercial buyer incentives, call 1-800-WORK RAM.*

*See limited warranties and restrictions at your dealer. Excludes normal maintenance & wear items. Always wear your seat belt for a fully effective airbag.

ding.

America's Truck Stop The New Dodge

A DIVISION OF THE CHRYSLER CORPORATION

Nation's Business

Published by U.S. Chamber of Commerce Washington, D.C.

PHOTO: SARWIDE WORLD

Organized labor's heyday is over, *but the AFL-CIO's new leadership intends to bring it back. And strikes, like the one shown here at a General Motors plant in 1945, are only part of the strategy that unions plan to employ in fostering that revival. Cover Story, Page 16.*

PHOTO: T. MICHAEL KEZA

Capitalizing *on emotions at work requires communication, says ship-repair executive Jerrold Miller, right. Managing, Page 25.*

VOL. 84, NO. 2

Editor's Note

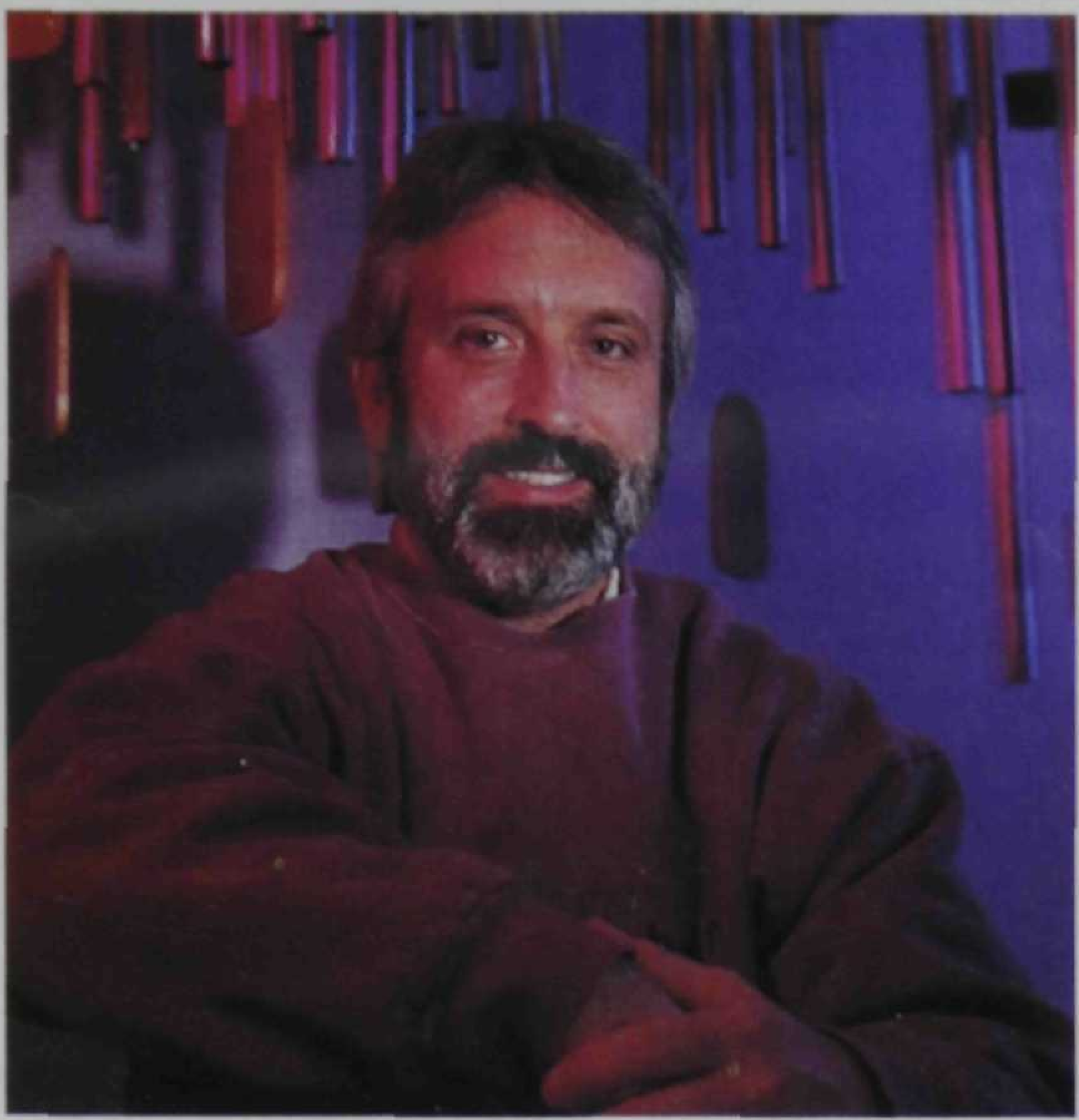


PHOTO: ©WAYNE SORCE

Perfect pitch *is achieved by computer for the wind chimes made by Garry Kvistad's company. Making It, Page 12.*

DEPARTMENTS

Cover Design: Michael Rook

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Labor's New Game Plan

PHOTO: T. MICHAEL KEZA

The labor movement is promising a sort of feistiness not seen in years. John J. Sweeney, the AFL-CIO's new leader, is challenging workers to become more aggressive in their demands and to shift their tactics in fighting for higher wages, greater job security, and a stronger voice in company decisions.

Sweeney's mild manner belies his activist intentions, says Senior Editor Jim Worsham (at right in the photo), who interviewed the labor leader for our February cover story. His vision of a revitalized union movement is clear, Worsham says, and his record in mobilizing workers speaks for itself.

What's his game plan, and will he carry it out successfully? See our preview of what's to come, in the cover story, beginning on Page 16. Owners and managers of even the smallest companies should be on the alert as labor implements its activist strategy.

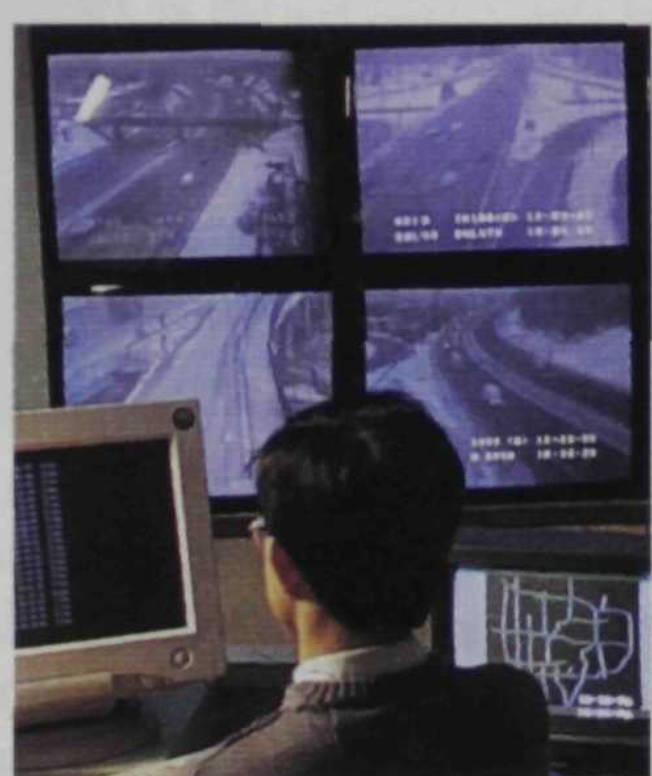
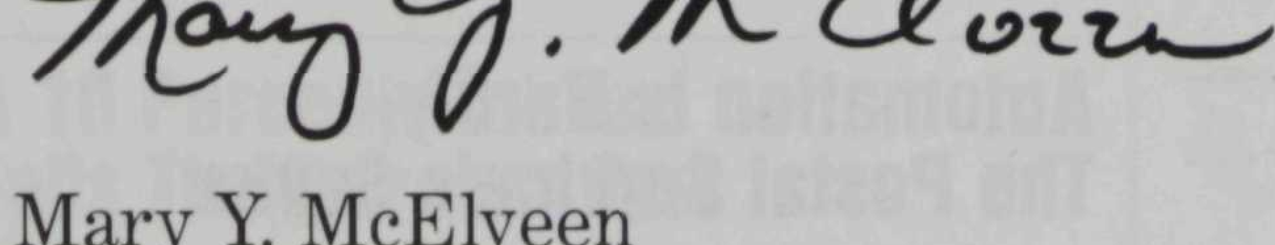


PHOTO: ©STEVE WOIT

A number of experiments are under way nationwide to improve traffic flow and keep goods and services moving efficiently. If you've ever been in a traffic jam or your business has been affected by a driver's inability to get quickly from here to there, you won't want to miss "Smart Cars, Smart Roads," on Page 31. It's this month's Enterprise 2000 feature, written by Contributing Editor Julie Candler.

If you're eager to harness your workers' emotions—or, perhaps, you think you should better channel your own—see "Emotions In The Workplace," on Page 25. Special Correspondent Sharon Nelton reports on new research on this subject and examines ways to use emotions to improve your company's effectiveness.

We think we've provided many useful articles in this issue and hope you think so, too.



Mary Y. McElveen
Editor

Nation'sBusiness

Letters

Ask And You Shall Receive

Thank you for asking, in your Editor's Note in the November issue, for input on the effectiveness of that month's cover design.

I believe that the design selected for the "Face To Face" cover does not work. As you stated in the Editor's Note, "the old-fashioned way of communicating—talking and listening—can still be the most effective in meeting new business goals." In this distinctly two-pronged process, the latter element—listening—is the most important for effective communication, which is ultimately aimed at enhancing mutual understanding. In fact, we often don't understand one another, and exacerbate our differences, because we aren't listening and therefore focusing effectively on matters of mutual concern.

Your design team omitted the ears, thereby depicting images producing plenty of output but doing little to understand their audience and tailor their output to enhance understanding.

Geoffrey Abdian, President
Emerald Pacific Services
Seattle

Automation Is Hardly The Postal Service's Savior

I read with great interest and curiosity your December article "Businesses Eye Postal Rate Plan." As a former postal worker for 40 years—with 24 of those years as an elected national official of the National Association of Letter Carriers, culminating as national executive vice president, in Washington, D.C.—I can say that some of the information provided by postal officials in the article distorted the facts.

A key Postal Service strategy for reducing postage rates has been its reliance on automation to process mail more efficiently. The service is continuing a $5 billion, 16-year effort to bar-code virtually all letters and sort them automatically into delivery sequence.

According to a General Accounting Office report issued to congressional committees in February 1995, automation is taking longer and producing less efficiency than expected. The report reflected that more than one-third of postal employees who responded to an opinion survey in 1993 did not believe that the service was doing a good job of implementing automation.

The same report reflected the Postal Inspection Service's findings that not only had there been no significant reduction in the in-office work hours of letter carriers, but there also had been an increase in the amount of delayed mail.

Additionally, although the Postal Service had predicted savings of between 84,000 and 100,000 work-years by 1995, the GAO found that work-years had increased, both overall and for work such as sorting that is most directly affected by automation.

Thus, postal officials are wrong to say that union contracts are what make it difficult to cut the 729,000-member work force; the growth in work-years can be attributed to the increases in mail volume and deliveries, not to the contracts.

It is preposterous for the Postal Service's senior vice president for marketing, Loren Smith, to make the assertion that legislative reforms are needed to provide the Postal Service more leverage at the bargaining table in order to control labor costs. It also is irresponsible and naive for the industry newsletter *Business Mailers Review* to forecast that recent labor arbitration awards will result in a 35-cent first-class stamp by 1998.

Postal rate increases are the result of poor management and an unknowledgeable and ineffective Postal Service Board of Governors.

A.R. "Tony" Huerta, President Emeritus
National Association of
Letter Carriers, Branch 599
Tampa, Fla.

Workers' Comp A Concern In Status Of Loggers

I read with interest your December article "Shaky Declarations Of Independence," relative to the worker-classification plight of Alabama logger Billie Rasbury.

For 27 years I have served on the Occupational Safety and Health Administration/American National Standards Institute's Tree Trimming Safety Standards Committee. As a result of that experience, I am familiar with safety and workers' compensation requirements and premiums, and with problems for the tree- and forestry-related industries.

One major factor your article overlooked is the effect of loggers' workers' compensation premiums. Logging has one of the highest workers' compensation rates per $100 of payroll of any industry nationwide because of the frequency and severity of accidents.

Consequently, many logging contractors try to classify all workers as independent contractors so they can avoid paying workers' comp premiums. Whether the people working for logging companies are in fact employees, on whom the employers would have to pay workers' comp premiums, has been a concern for insurance companies and regulatory agencies.

Richard E. Abbott
CEO and Chairman of the Board
ACRT Inc.
Cuyahoga Falls, Ohio

Corporate Donations For College Educations

Thank you for your January article "Donations For Deductions."

The National Society of Professional Engineers endorses and supports an organization that is very similar to the two mentioned in the article. Educational Assistance Ltd., since its inception more than 10 years ago, has helped more than 1,000 financially needy youngsters around the country graduate from college.

Scholarships at more than 150 participating colleges are exchanged for corporate donations of surplus inventory, materials, goods, and services under Section 170(e)(3) of the U.S. Internal Revenue Code.

This is a program in which, indeed, everyone wins.

Mark Brumbach
National Coordinator of Industry Relations
National Society of Professional Engineers
Overland Park, Kan.

Popping-Fresh Ideas For Trade-Show Booths

Regarding your December article "Introduce Yourself Before The Show," here are a couple of other suggestions for improving a company's booth at a trade show:

■ If food is allowed in the exhibition hall, set up a popcorn machine. The aroma seems to attract the attention of everyone. To coincide with a marketing strategy, the booth can be centered on a movie theme or a marquee-style setup.

ILLUSTRATION: MICHAEL ROOK

Even the popcorn bags can be printed with advertising information. Be sure to include a reminder to dispose of the bag properly.

■ Take a laptop computer and inkjet printer to the show to type a response to each "guest" at your booth, and mail it the same day.

If advertising had been sent out before the show, addresses would already be available, and advertising packets could be pre-assembled and ready to go after adding your personalized letter.

If your business assigns different representatives to booth duty, the guests would receive a personalized letter from the person with whom they talked at the trade show.

Jack Westmoreland
Impact Associates
Hartsville, S.C.

A 10 Percent Flat Tax Fails The Fairness Test

After reading Robert Boucher's letter in the November issue proposing a flat 10 percent income tax on all real income, with no exemptions and no deductions, I can guess what tax bracket he is in.

Our accounting firm handles several hundred personal-income-tax returns each year, and I can tell you that a flat tax with no exemptions would be grossly unfair to low-income taxpayers.

A simple illustration will show why: A husband and wife with two children and with total income of $20,000 would have owed $581 in federal tax on their 1994 return. Compare this with $2,000 under a 10 percent flat tax.

On the other hand, one of our firm's highest-income clients had total income in 1994 of $670,000, and the federal tax was $193,000. Under the flat-tax plan he would have owed $67,000—a reduction of $126,000. So who is going to make up that $126,000? It could only come from the middle class, which is already bearing the brunt of federal income taxes.

A flat tax may indeed be desirable, but it would need to be more than 10 percent, and the exemption would need to be greatly increased from what it is now to be fair to low-income and lower-middle-class taxpayers.

John B. Guy
Guy & Guy, CPAs, P.C.
Thomasville, Ga.

Flat Tax A Great Idea

Regarding a flat tax on income—and 10 percent might be the maximum allowed—I think it would be great. You make it, you pay it. The only hole I see in it is having the cash when it comes time to pay the tax.

Another possibility might be a sales tax. You buy it, you pay it; you sell it, you collect it.

In either case, government overhead could be slashed.

I don't, however, think either will fly—because it's so simple, and our government usually doesn't work that way.

David Farner
Vice President
The Farner Co., Inc.
Norfolk, Neb.

You can communicate with Nation's Business *via:*

Letter: Editor, Nation's Business
1615 H Street, N.W.
Washington, D.C. 20062-2000

Fax: (202) 887-3437

CompuServe: 76436,1735

Please include your telephone number and your postal address. Because of space limitations, we cannot print all letters received, and those selected for publication may be condensed.

Entrepreneur's Notebook

By Ruth Meric

Cooking Up New Revenues

Necessity, it is often said, is the mother of invention. For me, it also could be considered the mother of expansion.

From almost the moment I opened my Houston-based, full-service catering company in 1988, I began expanding into related businesses—not in the traditional sense of adding employees, equipment, or facilities, but in terms of developing new avenues for generating revenues.

Even today, with sales of roughly $1 million, the Ruth Meric Catering company continues to grow, most recently through a new software program for full-service banquet and catering companies and through selling holiday gifts at the Houston Ballet's November Nutcracker Market. This holiday gift show and sale coincides with the annual production of "The Nutcracker," and a portion of the sales benefits the ballet company.

These new ventures help to even out cash flow while helping retain our employee base—vital issues, considering that we do a third of our annual catering business in just 20 days during December.

When looking for new revenue streams for your small business, consider these suggestions:

Ruth Meric, president of Ruth Meric Catering, in Houston, prepared this account with Contributing Editor Susan Biddle Jaffe. Readers with insights on running or starting a business are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

PHOTO: ©PAUL S. HOWELL—GAMMA LIAISON

Caterer *Ruth Meric expanded through natural offshoots of her core business.*

■ **Start with what you know.** My initial expansion into consulting came out of a direct need to keep money coming in—and to keep myself busy—in the early days of the business. My experience as a chef means I understand what makes food look and taste good and how cooks use a kitchen, so expanding into diet development and kitchen design was a natural offshoot.

Consulting—such as the "heart healthy" recipes I developed for Baylor College of Medicine's diet-modification program for heart patients—now accounts for just 10 percent of annual sales, but it allowed me to use my expertise to survive while honing my marketing and off-site-catering skills.

■ **Follow customer leads.** Early on, when establishing cash flow was vital, I was asked if I ever gave cooking classes. I said I'd happily teach a class if someone else would get the group together.

That initial suggestion has grown into our "Evening With the Chef" parties, in which guests participate for about an hour in preparing dinner and learning techniques and tips, and then enjoy the results in the form of a four-course meal in our private dining room. Inevitably, some of the participants become catering clients.

■ **Do it better than the other guy.** About three years ago, I realized we needed to computerize our efforts, but I didn't know where to start. Existing software for caterers was outrageously expensive as well as inefficient, meeting only a small portion of our requirements. So I hired someone to write a simple program whose primary purpose would be to allow us to draft our catering proposals efficiently.

Later, while at a national catering conference, I watched as a software firm was flooded with inquiries from caterers and hotels about a program that I felt was far less useful than my own. Seeing both need and opportunity, I expanded on our existing software program to more completely fulfill a caterer's needs, from assembling proposals to calculating rental costs and managing staff schedules. We began marketing the software in July.

■ **Take a few risks.** The most recent offshoot of our catering efforts—the booth at the annual Nutcracker Market—was a real opportunity to expand. Whereas other efforts have focused on food preparation and catering, the market booth focused on merchandising nonperishable food items and gifts such as unique cookbooks or silver boxes filled with chocolate almonds.

The results of these actions illustrate why many entrepreneurs should consider expanding into related fields.

Instead of having a seasonal business that had trouble retaining employees and meeting its bills during slow times, we now have a company that makes the most of its resources—particularly the experience and talents of its employees—and can accommodate even more growth. NB

What I Learned

Using your area of expertise as a starting point can lead to a wealth of ideas for stabilizing and expanding your firm.

Dateline: Washington

Business news in brief from the nation's capital.

ECONOMIC STATISTICS

A Guide For Comparing Expenses By Year

The handy chart at right enables you to make approximate comparisons of business expenses and revenues in 1995 with like amounts in previous years, taking into account the effects of inflation.

The central element of the guide is the value of a dollar in any year relative to 1995. It shows, for example, that it required $3.93 last year to match the purchasing power of $1 in 1970. You can use the guide to determine, for instance, that sales of $1.5 million in 1995 actually were almost $500,000 lower in value than sales of $700,000 in 1975 when inflation is taken into account. (When the 1975 figure of $700,000 is multiplied by 2.83, the result is $1.98 million.)

The guide is derived from the U.S. Bureau of Labor Statistics' monthly Consumer Price Index, the most widely used indicator of inflation. Martin Lefkowitz, an economist at the U.S. Chamber of Commerce, in Washington, D.C., cautions, however, that because the method used to calculate the CPI is out of date, it doesn't truly reflect consumers' buying patterns, decreased prices for some goods and services, and increased value for the price paid for some items. Some economists believe the CPI overstates inflation by as much as 1.5 percentage points.

How Costs Have Changed

To determine whether a recurring business expenditure has been increasing by more or less than the cumulative rate of inflation, multiply an outlay in any year by the figure to the right of the year. Compare the result with the 1995 expenditure to determine whether that business cost has increased or decreased relative to inflation.

1970	3.93	**1977**	2.52	**1983**	1.53	**1990**	1.17
1971	3.76	**1978**	2.34	**1984**	1.47	**1991**	1.12
1972	3.65	**1979**	2.10	**1985**	1.42	**1992**	1.09
1973	3.43	**1980**	1.85	**1986**	1.39	**1993**	1.05
1974	3.09	**1981**	1.68	**1987**	1.34	**1994**	1.03
1975	2.83	**1982**	1.58	**1988**	1.29	**1995**	1.00
1976	2.68			**1989**	1.23		

SOURCE: U.S. BUREAU OF LABOR STATISTICS; CALCULATIONS BY *NATION'S BUSINESS*

Nonetheless, the CPI continues to have an effect on the incomes of almost 70 million people who receive Social Security payments, food stamps, federal civilian and military retirement pay, and private paychecks linked to union wage agreements. When the CPI goes up, these payments increase in lock step. Consequently, subtracting 1 percentage point from the previous year's CPI, as many economists and some in Congress are suggesting, would eliminate the need for restraining $150 billion in other projected government spending over five years.

—James Worsham

CENSUS REPORTS

Minority Businesses Are Still Undercounted

While recently released U.S. Census Bureau figures show that the number of black-owned businesses soared by 46 percent from 1987 to 1992, businesses owned by blacks and other minorities are still being undercounted.

The census figures, based on a study conducted in 1992, show that the number of African-American businesses grew from 424,165 to 620,912 in the five-year period. In 1992, receipts for black-owned businesses were $32.2 billion.

The study covered sole proprietorships, partnerships, and Subchapter S corporations (a form of incorporated business with 35 or fewer stockholders), but it did not include regular corporations, known as C corporations. However, C corporations are generally regarded as the fastest-growing and largest companies, and leaving them out could mean excluding significant revenues and numbers of employees.

Black Enterprise magazine, for example, found that for 1992 the top 200 black-owned businesses, all most likely C corporations, generated $9 billion in revenues. By excluding just these businesses, the census report understates the revenues of black-owned businesses by nearly 28 percent.

When women business owners found themselves in a similar predicament a decade ago, they lobbied until the Women's Business Ownership Act of 1988 was passed. That statute included a provision directing that the census of women business owners include C corporations.

(The reports on the 1992 census of women entrepreneurs—which includes a sampling of C corporations—and of Hispanic and American-Asian businesses are yet to be released.)

In addition, in 1990 the National Foundation for Women Business Owners (NFWBO) conducted a study of its own that included C corporations and allowed for business growth it would have taken the federal government years to uncover. The NFWBO says it identified 1.3 million women-owned businesses not included in the government count.

Could minority businesses conduct their own study? It would be harder, according to Sharon G. Hadary, the NFWBO's executive director. The NFWBO study used a screening process based on the names of business owners that was "fairly accurate" in identifying women business owners, Hadary says. But minority-owned businesses can't be accurately identified by name, she says.

Nevertheless, public-policy experts generally agree that having accurate statistics could help support the development of minority-owned businesses through better-informed government decisions and the provision of adequate financing.

—Sharon Nelton

Managing Your Small Business

Bringing a doll maker back to life; getting on broadcast producers' wavelength; newsletters and togetherness.

By Roberta Maynard

MANUFACTURING

A Company Is Turned Around Through Japanese Principles

How much room for improvement might there be in your production process? Perhaps more than you think.

Here's how the owners of the Alexander Doll Co., in New York City, achieved dramatic results by applying the Japanese principles of continuous improvement—called *kaizen*— to the company's ailing line of collectible dolls.

At the heart of *kaizen* is a process of evaluating a manufacturing system and involving workers in improvements to achieve greater efficiency and quality.

Last year, TBM Consulting Group Inc., a Durham, N.C., firm that specializes in implementing *kaizen*, formed a partnership with Gefinor USA, a bank in New York City, to buy the company. Although Alexander Doll was in bankruptcy, TBM executives believed the *kaizen* process could turn the business around.

Beginning with the company's small production line for baby dolls, TBM set up a cross-functional team of 10 Alexander employees to evaluate problems with the line. The team observed 25 operations and measured each with a stopwatch.

Operations were spread out over three floors, causing extra handling that wasted time and damaged the dolls. The batch process being used caused hundreds of dolls in various stages of completion to collect at each operation.

"We physically moved the operation [within the building] and combined everything in one location" on one floor, says William Schwartz, director of Alexander Doll and a vice president of TBM. "We started to flow the product so that each operation was carried out as each doll moved through the process."

The results: The distance each doll traveled from the beginning to the end of the process was reduced from 630 feet to 40 feet. The time required to complete a doll went from 90 days to 90 minutes. The number of unfinished doll pieces was reduced from 29,000 to 34. The square footage used for the line was reduced from 2,010 to 980. And productivity increased from eight dolls per person per day to 25.

The major work on that first project was completed in weeks, and it was followed by two projects each month on other production lines. The entire process, consisting of about 65 projects, will take about 18 months, and refinements will continue indefinitely, Schwartz says.

At the end of the 18-month period, TBM expects to have reduced production-floor space by 25 percent. If the company's sales weren't growing at an annual rate of about 25 percent, the space reduction would have been closer to 40 percent, Schwartz estimates. Other expected results: Inventory reduction of 33 percent, productivity improvement of 30 percent, and a reduction of 80 percent in lead time.

PHOTO: ©TOM SOBOLIK—BLACK STAR

With the help *of Japanese management principles, Patricia Lewis and William Schwartz, president and director, respectively, of Alexander Doll Co., vastly improved the firm's production.*

A company that's a good candidate for *kaizen*, says Schwartz, usually displays two key characteristics:

■ Long lead times, usually accompanied by a lot of work-in-process inventory.

■ A dedicated and knowledgeable work force, to participate in problem solving. ■

PROMOTION

Getting On The Air

An effective way to garner publicity and earn credibility for yourself and your business is to demonstrate your expertise through a radio or television interview. But how do you get the interview?

Paul Mladjenovic, a certified financial planner and business consultant in Hoboken, N.J., describes some techniques that have worked for him:

■ Identify the target audience and the broadcast programs and stations most likely to appeal to it.

■ Call the shows' producers and provide, in a positive, enthusiastic way, a clear idea of the benefits you can offer the audience. Larger stations will want written materials rather than phone calls. If you have an audio tape of your voice, send it.

■ If you are turned down for an interview, learn from the experience. Ask the producer if the problem was the timing, the material, or the presentation. Also ask if any other show might be a better fit.

"The best piece of advice I can give is to do your homework" before calling, says Steve Palmer, programming director at WAMU, a public radio station in Washington, D.C. "Then, put together a package for the producer: Formulate a concept, provide research, show how your contributions are relevant or timely. The more work you can do for the producer, the better." Another secret, he says, is to be persistent without being annoying.

If you are invited to be interviewed, be prepared. On the air, keep focused on the topic, be informative and to the point, and don't try to sell your product or service. ■

COMMUNICATION

A Newsletter Pulls Employees Together

For companies with several locations, the best and least-costly communications tool may be a newsletter. Since the family-owned Yours Truly Restaurant chain started its bimonthly newsletter four years ago, the publication has become an important aid in tying together a company of 300 workers at six locations in the Cleveland area. The newsletter, distributed in the restaurants, is also mailed to anyone who drops a request into a suggestion box; about 500 customers and vendors have asked to receive the publication by mail.

The six-page newsletter, *The Register*, is relatively inexpensive to produce. The vendor that has handled the company's other printing needs for years prints the newsletter free. The editor is an area free-lancer who handles the restaurants' public relations.

A designated person in each of the Shibley family's restaurants provides information, which Jeffrey Shibley, vice president, collects and provides to the editor. The newsletter's features include a community calendar, a notice of special events, quizzes on how to respond to customers in various situations, personal and work-related news about employees, and short pieces on training, such as safety reminders.

PHOTO: ©BRUCE ZAKE

Around a table *at one of the Shibley family's restaurants are Darlene Shibley Ziegenhagen, Jeffrey Shibley, newsletter editor Lorraine Schuchart, and Art and Larry Shibley.*

To businesses beginning a newsletter, Shibley offers this advice: Listen to your readers, and give them what they want. Yours Truly started out with one newsletter for vendors and another for employees. When vendors said they liked hearing about the employees, Shibley combined the two.

Ilese Benun of Hoboken, N.J., editor of *The Art of Self-Promotion*, a quarterly newsletter, offers these tips: Provide information that is relevant, newsworthy, and beneficial. Keep articles concise and focused. Use the newsletter as a way to listen to readers as well as talk to them. Encourage feedback and suggestions by including coupons, reply cards, and fax-back questionnaires.

If creating a newsletter seems like too much work, Benun says, consider a smaller publication, perhaps a one-page summary of the most important or interesting information.

For more help, you can order Benun's issue No. 15, which is devoted to publishing newsletters, for $3. Call (201) 653-0783.

PURCHASING

The Ins And Outs Of Buying At Auctions

An auction can be an excellent way to get great deals on business equipment, provided the attendee is familiar with the auction's procedures and requirements. Ed Underwood, an auctioneer with Crown Auctions, in Athens, Ga., which auctions real estate and general merchandise, offers these suggestions:

■ Learn the terms of sale before you go. Many auction companies now accept only cash or a cashier's check. Some accept a business check only if it is accompanied by a bank letter of guarantee, especially if the buyer isn't known to the auction crew. If the terms of sale are not explained in the advertisements for the auction, call the auction company before you go.

■ Check the ad for designated inspection times, when buyers can look in advance at the goods being sold.

■ Before the sale of groups of items, listen carefully to explanations of certain terms. An example is "choice," which means that when several identical items are being sold, the highest bidder can choose to take any or all of them at the same price for each. Many a bidder has lost out by waiting to bid on the last item, hoping for a lower price, only to see the first bidder take all of the items, Underwood says.

■ Expect to pay sales tax on the goods you buy, unless you are a dealer. A small business's tax identification number does not exempt it from taxes, says Underwood.

■ Be prepared to pay a buyer's premium—the auctioneer's commission added to the sale price. Typically, it is 10 percent of the sale amount, according to Underwood.

■ Ask how much time you have to pick up equipment you have purchased. It can be a problem for firms buying large items such as supermarket cases, which may require special transportation arrangements. Usually, goods must be removed soon after the auction, sometimes even the same day.

If you are looking for companies that specialize in auctioning certain types of goods, you can contact the National Auctioneers Association, in Overland Park, Kan. The organization sells a listing of its nearly 6,000 members for $5; it can be ordered by calling (913) 541-8084.

Check to see if the auction company is listed in the Yellow Pages, is willing to put you on its mailing list without any purchase requirement, and agrees without hesitation to provide all the information described above.

If the company operates in one of the 36 states that require licensing of auctioneers, call the state licensing board to verify the firm's license and ask if there are unresolved complaints against the company.

NB TIP

Acquiring Firms Need To Know

Before signing on the dotted line, a company considering an acquisition should take a hard look at the human capital of the business it wants to buy, advises Daniel G. Vliet, a labor and employment attorney with Davis & Kuelthau, a Milwaukee law firm.

To assess the likelihood of potential legal claims by current or former employees, buyers should go beyond looking at pending employment litigation and conduct a comprehensive review of the seller's employment practices, says Vliet.

Ask about hiring practices, terminations, promotions, and any prior employment claims. A review of the personnel files of existing and recently terminated employees can reveal a lot about how the company has been run. NB

Making It

Growing businesses share their experiences in creating and marketing new products and services.

A Ringing Success

By Minda Zetlin

Percussionist Garry Kvistad had a big complaint about wind chimes: They always seemed way off-key to his musician's ear. "I was annoyed by the sound of those things," he recalls.

"I didn't mind so much the ones that were just supposed to produce noise, like those made of glass or bamboo," he says. But he did mind the ones that were supposed to produce a pitch but were out of tune.

An experienced xylophone maker, Kvistad knew he could do better, so he created his own chimes—cut from the tubing of a discarded aluminum lawn chair and meticulously tuned to the notes of an ancient scale. "I chose an ancient scale because it was a very beautiful, very basic sound," he explains. He took the finished product to a craft fair, and it sold immediately.

At the time, in 1979, Kvistad and his wife had just relocated from Illinois to West Hurley, N.Y., a rural community that neighbors Woodstock, an arts and music colony. He had intended to start a xylophone tuning and repair business but found himself devoting more and more attention to making his perfectly tuned chimes. "It was taking off so strongly, I didn't have time to do anything else," he says.

A fan of National Public Radio, Kvistad sent some chimes to Susan Stamberg, then a host and now a special correspondent for the popular program "All Things Considered," who listened to the chimes and immediately invited him on the show. He was on the air for six minutes beginning at 5:30 p.m., talking about the chimes and playing them. People across the country listened on their way home from work, and more than 1,000 called or wrote wanting to purchase a set.

Perfectly tuned *wind chimes made by Garry Kvistad's Woodstock Percussion Inc. have set the public on its ear.*

After that success, Kvistad began sending chimes to media people far and wide. "I sent one to Gene Shalit; he invited me on 'The Today Show,'" he says. That appearance resulted in calls from gift-store owners who wanted to carry Kvistad's products.

As Woodstock Chimes gained popularity and Kvistad put together his factory, he knew he needed a way to create perfectly tuned wind-chime tubes in large quantities. Simply cutting them to the right length was not enough, he explains. "You can cut one and grind it down until it's in tune perfectly, then cut another one the exact same length—and milling machines can do that with incredible precision—but the pitch will still be different because of the composition of that tube. If there's a different thickness in the wall somewhere, even if it's ever so slight, it'll affect the pitch."

Even slight variations are too much for a company that sells itself on the perfect beauty of its products' tones, so Kvistad worked with computer experts to create a machine that could tune each tube—still made of aluminum—individually.

"It actually has a striker and a micro-

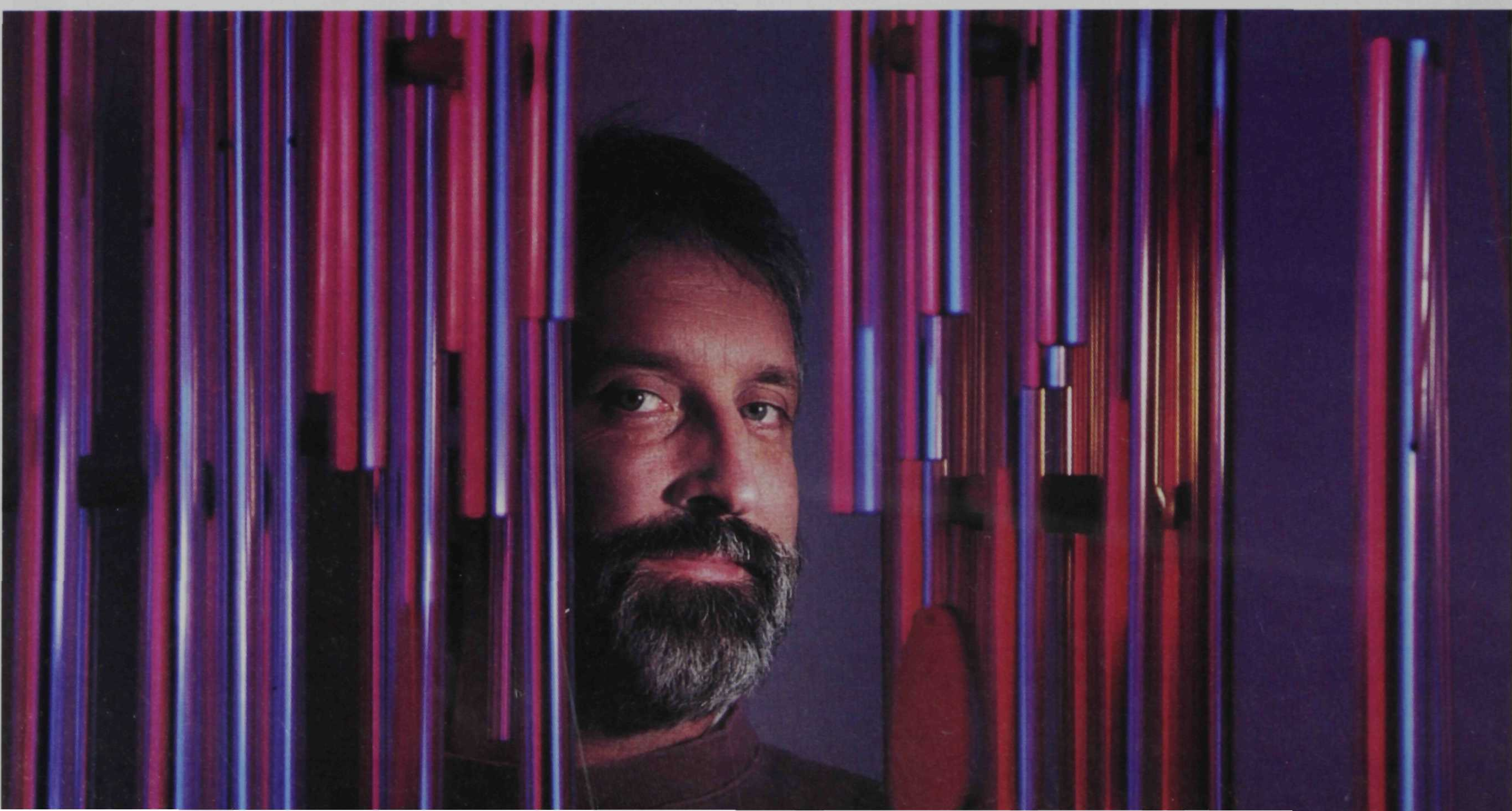


PHOTO: ©WAYNE SORCE


BUSINESS


SKILLS

phone," he says. "The pitch goes through a computer that calculates the frequency, and then the computer instructs the end cutters to remove a certain amount of material." The computer repeats the process until the tube strikes at the right frequency. "When you're done, you have all these tubes that are exactly the same tone," Kvistad says, "but if you stand them on one end and look at the tops, they're all slightly different lengths."

Today, Kvistad's Woodstock Percussion Inc. employs 100 people and makes dozens of different wind chimes, from a 58-inch model that sounds like the bells of Big Ben to tiny sets that can be worn as earrings. Kvistad won't release sales figures, but he says the company has grown steadily throughout its 16-year history and that it has posted a profit every year. The chimes, which range in price from $10 to $125, are sold in 6,000 stores.

Kvistad reports that the fastest-growing segment of his business is exporting. The chimes are sold in Switzerland, Germany, Japan, and Malaysia, among other countries. And so, as a delegate to last year's White House Conference on Small Business, he focused his attention on the international area. He was surprised to see how few other delegates did the same. "The international-trade group was very small compared to the larger effort," he says. "That tells me that small businesses don't realize the potential in international trade." ■

Minda Zetlin is a free-lance writer in Woodstock, N.Y.

Licking The Competition

By Sharon Nelton

Howard Quick arrived late for our appointment at his company. "Not so quick," he joked apologetically. As he escorted me to his office, we passed a reproduction of the Mona Lisa that looks out on the lobby.

Only this Mona Lisa is different. She's holding a lollipop. A Quick's Candy, Inc., lollipop.

PHOTO: ©HANS SCOTT

Lollipop making *produces smiles all around—even if one is a tad enigmatic—for the Quick brothers, from bottom, Howard, Gorden, Bob, and Roger.*

In the tiny town of Buchanan, Mich., Quick and his brothers—Roger, Gorden, and Bob—turn out 15 million to 20 million lollipops a year in flavors such as black currant, wild cherry, bubble gum, sour apple, and banana for customers including Kmart, the U.S. military, and thousands of small stores across the country.

Don't confuse Quick's lollipops with "penny suckers." They cost 50 cents to 75 cents retail, and Howard Quick, 62, the company president, is, well, quick to point out that they are quality products, the result of concentrated research and development aimed at getting the texture, colors, and flavors just right.

Flavor is important to the Quicks. They grew up in the fruit-growing region in southwest Michigan where Buchanan is, and, says Howard, "We know what a peach is supposed to really taste like, or a good apple. Our palates were tuned to that."

Howard Quick seems an unlikely candidate to start a candy company. After high school, he spent four years in the Navy, emerging as a junior engineer in electronics. He worked in machine shops and owned one or two himself. Several times, he went into business building homes, in Indiana, Florida, and Montana. He worked in Missoula, Mont., as a millwright machinist in a sawmill and later as a candy maker for a small candy company.

Returning home to Michigan, he decided to start his own candy company, and he persuaded Roger to join him. Looking for the area of the candy market that "really needed some attention to quality," he says, they zeroed in on lollipops.

Quick's Candy got off the ground in 1983, with candy made by hand in a 1,600-square-foot building. Soon all the brothers and even their parents were involved. In fact, Howard credits his mother, Bessie, with his aptitude for candy. She was, he says, a "fantastic cook" who liked to make lots of candies at Christmas, and her boys absorbed some of that knowledge.

While other candy makers were battling on price, Howard says, the Quicks had decided that they would "just make a better lollipop." A food scientist was brought in to help develop the best possible product. The Quicks sought out flavoring houses to help develop the truest flavors.

Today, Quick's Candy, with more than 20 employees, has added an 8,000-square-foot plant with state-of-the-art equipment and a 2,000-square-foot warehouse, and plans are in the works for additional expansion.

Howard likes to talk about how his company's lollipops improve your mood, about how millions of them were shipped to U.S. troops during Operation Desert Storm, or about how one doctor recommended the sour-apple lollipops to women in labor. He doesn't know why, he says; maybe the lollipops have a calming effect.

Truck drivers like Quick's lollipops, he says, and so do elderly ladies. "Lollipops aren't just for children anymore," he says. "They're basically for the child in all of us." ■

On The Cutting Edge

By Michael Barrier

One man's nostalgia is another man's business opportunity—and sometimes the same man's, as in the case of Razor & Tie Music, a thriving, New York-based record company that owes its existence to its founders' enthusiasm for the popular music of the 1970s. In 1995, Razor & Tie expected to sell about 1.35 million compact discs and cassettes through television commercials and at retail, many of them reissues of music first popular in that decade.

When Cliff Chenfeld, now 35, and Craig Balsam, 34, met at New York University's law school in the mid-1980s, "we connected musically," Balsam recalls. "We were both into the same kind of music," Bruce Springsteen's in particular. They shared enthusiasm for Elvis Costello and Graham Parker, too.

In 1989, when they were both working as lawyers in New York, they decided to convert their enduring love of the music into a small business. They realized they were only a couple of years away from becoming partners in their law firms, Balsam says, "and we were going to be stuck there forever." (They called their company Razor & Tie because the music business doesn't demand of them the regular shaves and relatively formal attire that legal work did.)

"We started the company with the idea that we were going to market '70s music on compact disc," Balsam says. "The CD world was starting to really take off, and none of these old hits from our childhood were available on CD. We said, all right, let's make a list of them, let's find out what labels they came out on, and then let's write letters to everybody who owns them and try to license them. We were slightly naive."

They got a few negative responses, but nothing else, until they called what was then CBS Records (now Sony). They got lucky: One executive saw the possibilities in the idea, and they worked out a deal through which CBS assembled the package—licensing songs from other labels—and Chenfeld and Balsam handled the marketing.

"Then we had these records, and we had to figure out how to sell them," Chenfeld says. "We got a major crash course in media buying and telemarketing."

He explains what they learned: "The media bill's not due for 60 days, the fulfillment bill's not due for 60 days, the telemarketing bill's not due for 60 days, and the [bill for the] product's not due for 60 days. So you get something on the air, and two minutes after the spot is on TV, the lines are ringing and the credit-card orders are coming in. If you can get the cash flow going, you can catch yourself up."

If it hadn't worked, and the two young lawyers had been stuck with bills totaling $100,000 or so—well, personal bankruptcy was always an option. An option that Balsam and Chenfeld didn't have to explore, as it turned out, because that first CD, "Those Fabulous '70s," was successful, selling more than 100,000 copies—thanks in part to a tongue-in-cheek TV commercial, presented by the " '70s Preservation Society," that Chenfeld and Balsam wrote themselves. The CD's success "immediately gave us credibility," Chenfeld says.

The major labels are interested "in selling a million Mariah Carey records this month, and not 5,000 Skeeter Davis records," Balsam says, so they have been happy to let Razor & Tie put the effort behind reissues that they would not.

But success as TV-based reissue packagers was hardly the limit of their ambitions. "When we started our company," Balsam says, "one thing we really wanted to be able to do was have a record label. The TV business was a means to an end"—the end being Razor & Tie's emergence as a retail label.

Their big sellers at retail, since the first one came out in 1991, have sold no more than 50,000 to 60,000 copies. But the retail label has been evolving, from reissues of old albums, to career anthologies (notably a two-disc set devoted to Merle Haggard), and finally to new albums. Besides, Chenfeld says, Razor & Tie's overhead is so low—its Greenwich Village offices are less than plush, and the staff totals only 16—it can make money even on sales of 10,000 CDs, whereas a larger label could not.

PHOTO: ©ARNOLD ADLER

A love for 1970s music *pulled Razor & Tie Music founders Cliff Chenfeld, left, and Craig Balsam out of their law firms and into the recording industry.*

Not that Chenfeld and Balsam intend to neglect the TV side of the business—they see the two growing together. Balsam sees a budding recognition among major labels that "the TV marketplace is a good place to be, because everything's starting to connect" as technology pulls various media closer together.

"The major labels are coming to us," Chenfeld says, "and saying to us, let's do these projects together, where we can take a new artist, work on them at retail, and at the same time you guys can do it on TV. That's never been done. To Craig and me, it makes perfect sense. Why not have the benefit of a couple of hundred thousand dollars spent on direct response?"

As the company has grown, so has its founders' enthusiasm for the business side of it, as well as for the music it offers. Chenfeld notes that neither he nor Balsam had any entrepreneurial experience before they started the company.

"I'm amazed at how much we like that part of this," he says. "I love the whole entrepreneurial part. Our job, basically, is to come up with stuff, to keep everything going, and I really like that. It's just a whole part of the world we hadn't hooked into before we started doing this." NB

COVER STORY

Labor Comes Alive

By *James Worsham*

Organized labor, its ranks and political power at a low ebb, is rattling its sabers and marshaling its forces for a new crusade to regain the clout it once had in the nation's factories and ballot boxes.

It has thrown out its old chieftains and installed new, aggressive leaders who are pushing a provocative new message: American workers need a raise and a bigger voice in business decisions.

And it has served notice that it plans to organize nonunion workers and push for better deals for those who are unionized. To that end, labor's new leaders plan to use confrontational tactics: so-called corporate campaigns, which involve pressure, harassment, and public attacks not only on companies but on their officials, suppliers, stockholders, creditors—and customers.

"You will see a much stronger labor movement in the year 2000," John J. Sweeney, the new president of the American Federation of Labor and Congress of Industrial Organizations, told media representatives at the National Press Club recently. "Stronger in voice, stronger in membership, stronger in perception."

The AFL-CIO and its member unions, Sweeney said, will pour millions of additional dollars and hundreds of highly trained professionals this summer and fall into organizing nonunion workers, getting better deals for unions from businesses, mobilizing voters, and making higher wages a major political issue.

In an interview with *Nation's Business,* Sweeney made it clear that organizing drives would target small as well as large businesses and would involve corporate campaigns when deemed necessary to achieve union goals. He also said special efforts would be made to organize in the less-unionized Sun Belt. (See "The View From The Top," on Page 18.)

Sweeney made his comments in the aftermath of a major boost to labor—its victory in December in a 69-day strike by more than 32,500 machinists at Boeing plants in Washington, Oregon, and Kansas. The win

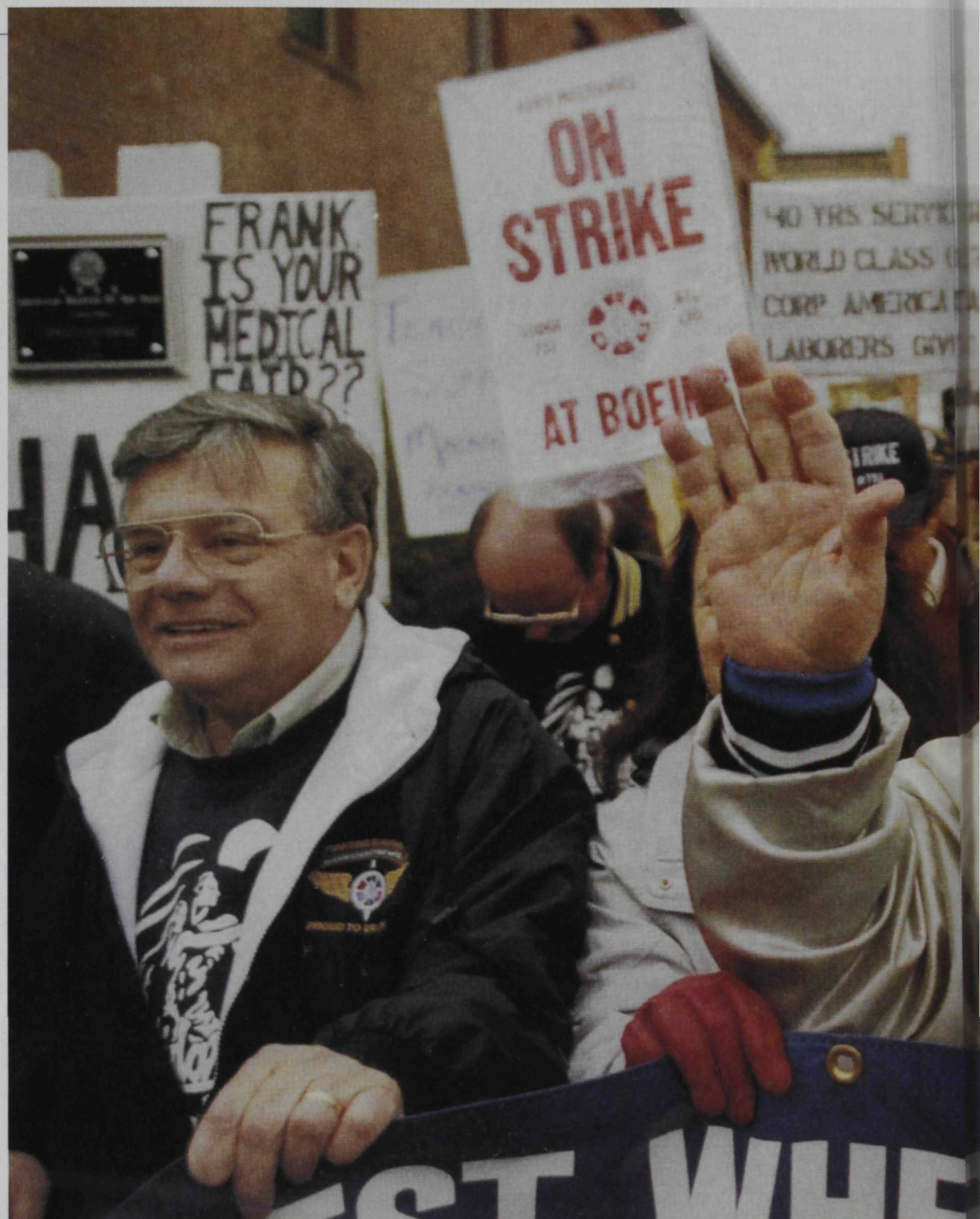


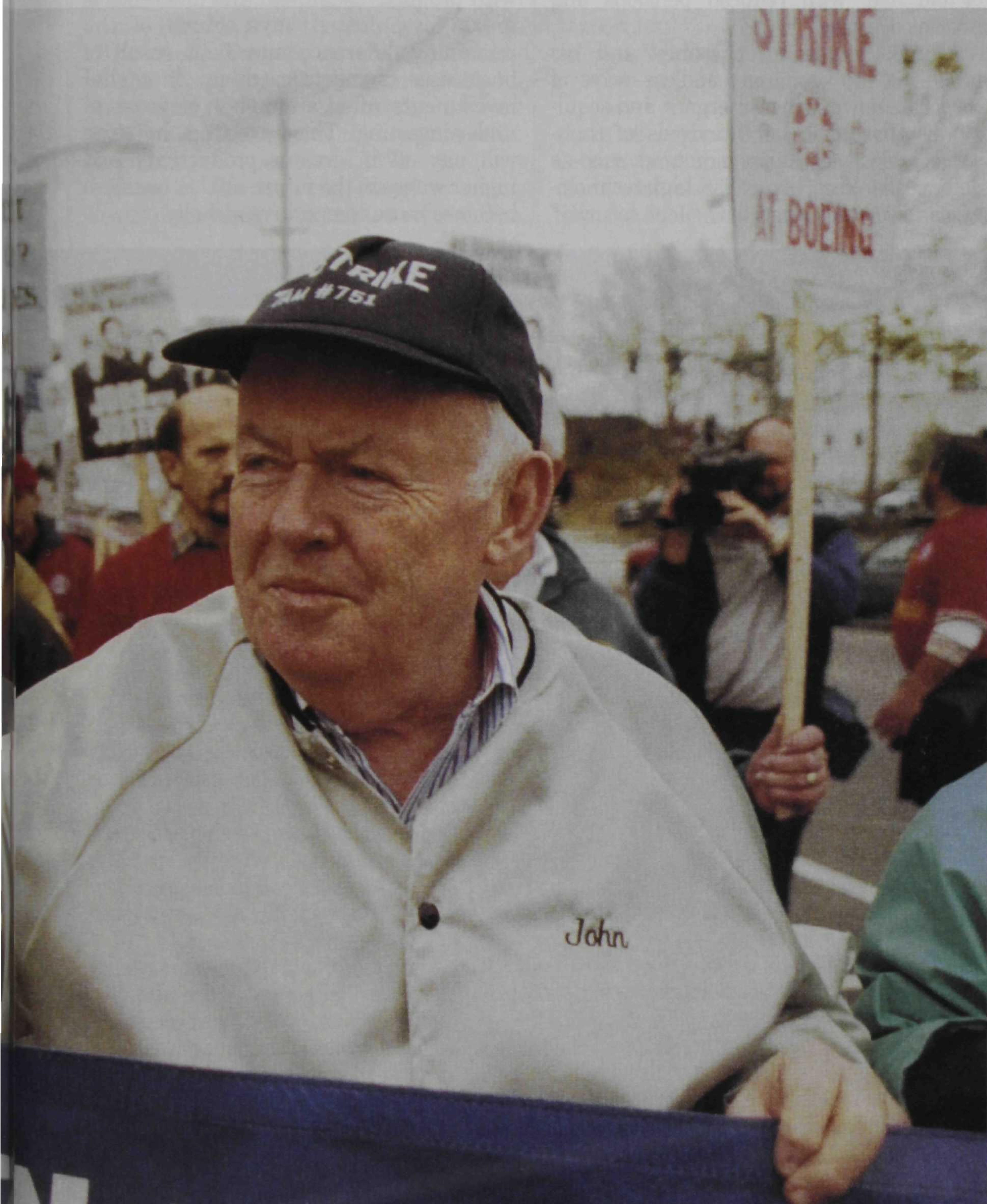
PHOTO: ©ROBERT SORBO—AP/WIDEWORLD

was a welcome relief to labor officials after some high-profile setbacks in 1995.

Machinists at Boeing had struck for higher wages and job-security contract provisions. With orders from major airlines for new planes, Boeing saw a need to settle. In the end, the union got most of what it wanted: pay raises and bonuses, a commitment by Boeing to retain workers whose jobs were outsourced, and some changes the union had sought in health insurance.

Sweeney and the new AFL-CIO leader-

With a new national leader, unions are poised to become more aggressive to make up lost ground in membership and bargaining power.



Rallying workers: *During the Boeing strike, John J. Sweeney, AFL-CIO president, right, and George J. Kourpias, president of the International Association of Machinists and Aerospace Workers, led a march on Nov. 21 in Everett, Wash.*

ship had led rallies in Everett, Wash., and Wichita, Kan., and the settlement was the first major union victory on Sweeney's watch. It was also in an industry—aerospace—that is seen as important to the nation's competitiveness worldwide.

Another union victory in a highly critical and competitive global industry—telecommunications—was achieved in mid-January in a preliminary, partial settlement. The Communications Workers of America used a corporate campaign in lieu of a strike against Bell Atlantic Corp., which has operations in the Middle Atlantic states, to win greater job security for its members. The union's main weapon was media advertising it purchased criticizing the company.

These victories were in sharp contrast to the major union setbacks in the Caterpillar Inc. strike in Illinois—in which workers went back to their jobs after 17 months, having accomplished little if anything—and the Detroit newspaper strike, which continues even though the union has failed to stop the two dailies from publishing. The newspapers have continued operations with 1,400 replacement workers.

Business, of course, views labor's tough talk as counterproductive. "This new combative stance by labor isn't what the country needs, isn't what business needs, and isn't what labor needs," says R. Bruce Josten, senior vice president for membership policy of the U.S. Chamber of Commerce.

Sweeney was elected head of the 13-million-member AFL-CIO in October after insurgents forced out Lane Kirkland, who had held the top post for 16 years. Kirkland had failed to rally labor as union membership dwindled and strikes became less effective.

Those unhappy with Kirkland turned to Sweeney. As head of the Service Employees International Union (SEIU) for 15 years, Sweeney had seen its membership nearly double—partly through confrontational organizing campaigns such as Justice for Janitors, waged in various cities and centered on demands for higher wages—even as overall union rolls were shrinking. Sweeney's union grew from 625,000 members to about 1.1 million, while the total

UNIONS SHIFT TACTICS

number of union members in the U.S. work force, according to the Bureau of Labor Statistics, fell from about 20 million to 16.7 million from 1980 to 1994.

Now, Sweeney is bringing his aggressiveness to bear at the AFL-CIO's highest level. "America needs a raise," Sweeney says in his speeches, arguing that wages have not kept pace with the U.S. economic expansion of the 1990s. "Profits are up, productivity is up, executive compensation is up, and the stock market is up; worker wages and health benefits and pensions are down."

In speeches, Sweeney says that all of the income growth of the past 15 years has gone to the top 40 percent of households, and most of that to the top 20 percent. And he says that wage and compensation gains haven't kept pace with productivity gains.

But Sweeney sees a deeper problem, saying there needs to be a "new social compact" between business and labor because the old one got thrown out with global competition, new technologies, and the deregulation of the U.S. economy. Instead of employing "American teamwork and American know-how" to respond to these new pressures, Sweeney says, business drove down labor costs by getting "the last possible ounce of productivity out of American workers... and then threw them on the scrap heap of unemployment or old age, with reduced pensions and health coverage."

A major issue for Sweeney and his unions is the seemingly endless wave of corporate downsizings, mergers, and acquisitions that have left hundreds of thousands jobless—in major industries such as defense, banking, insurance, high technology, and communications. "Job security" concerns, he says, should be dealt with by worker-retraining programs supported by both government and business.

The Chamber's Josten, however, disputes Sweeney's contention that workers are not sharing in business's economic successes. "Higher stock values help pension and retirement funds, which helps his members," says Josten. "But paychecks might seem smaller because the government is taking more to pay for programs unions have backed."

While even under a new measure of productivity wages have not quite kept pace with productivity growth, the difference is much less, Josten says. Much of the remaining difference may be a result of businesses trying to catch up on capital investments after a number of years of under-investing. This investing, he says, will pay off in greater productivity and higher wages in the future as U.S. business becomes more competitive globally.

The View From The Top

In an interview with *Nation's Business* and in a question-and-answer session with reporters at the National Press Club, the AFL-CIO's new president, John J. Sweeney, discussed some of the labor issues important to small businesses. Here are excerpts:

Q. *How will the AFL-CIO under John Sweeney be different from the AFL-CIO under [former president] Lane Kirkland?*

A. You will see a more-aggressive labor movement. We have to constantly be changing in order to better represent our membership, in order to organize workers [so] we can be stronger at the bargaining table. We have to mobilize our grass-roots members, rank-and-file members, so we are more effective politically [by] electing people that seriously want to address the concerns of American workers.

American workers are in a time of crisis. Never was the job-insecurity fear at a higher level. The wage situation has fallen behind so much over the past 20 years.

And I think we have to do everything in our power to improve our perception among our membership as well as among the general public.

Q. *Should business hunker down in the bunker now?*

A. They should hunker down and take a good, close look at what their own situation is. Whether it's wages or it's job security, workers should be allowed to freely select those [persons] they want to represent them, and they should be involved in all the decision-making processes that affect their lives as workers and as Americans.

Q. *In recent speeches, you've said you believe the "social contract" between labor and business has been broken. Could you elaborate on this? Is it primarily wages, or does it go beyond that?*

A. It goes far beyond that. It's really a philosophy that's been building up for the past several years. ... Employers seem to be losing the respect for their most important resource, and that's their labor. They're just treated as if they were a line item on the financial statement.

Q. *Do you see the message about the widening wage gap between rich and poor as getting across? Isn't this beginning to take on new life in our political arena? To what avail?*

A. There is a lot of anxiety all across this country among American workers who do not feel they're getting their fair share of the success and the good economy, who are not deriving any benefit from it, and yet are contributing so much to the success.

My hope is that we can raise the level of focus on this issue and debate this issue during the political campaigns next year, because it really requires national policy as well as a positive program on the part of management to address what is happening and what is frustrating and making workers so angry all across the country.

Q. *Most new jobs in America are created in small businesses rather than big businesses. Are you going to be targeting small businesses for union organizing?*

A. We will organize small businesses as well as big businesses. We plan to organize in every region of the country, [with] additional resources in the Sun Belt.

We will be training 1,000 new organizers over the course of the next year and a half, and we will be enlisting 1,000 students and volunteer workers next summer to supplement the organizing work and to build up a high degree of visibility for the organizing campaign.

Q. *So you're not going to approach a small business any differently than you would a big business as far as organizing?*

A. There are differences. ... We understand the limitations which small business has in terms of a small operation [without] the luxury of large staffs. So there

As for Sweeney's contention that corporate profits have soared while workers' wages have fallen, Josten notes that for the past quarter-century, total worker compensation (including benefits) has consistently accounted for about 72 percent of national income while corporate profits have accounted for about 10 percent.

Josten says the issue that unions should really be concerned about is the amount of wages workers actually take home. Figures from the Bureau of Economic Analysis, an agency of the Commerce Department, show that in 1994 Americans took home 57 percent of their pay in cash, down from 66.4 percent in 1970.

"Going out of business:" *Greg Sheets, cited for labor-law violations, says he is closing his electrical firm.*

Some of the lost cash went to rising health-insurance costs, but not all of it. The share of wages taken as taxes for Social Security and unemployment insurance has more than doubled, rising to 8.6 percent from 3.4 percent. Notes Josten of Sweeney's call for a raise: "Part of the raise he's looking for is being taken by government."

Sweeney's election comes at a critical time for the U.S. labor movement. The fact that Kirkland became the first AFL-CIO chief to be pushed out indicated that many in labor believed the movement had been too accepting of its decline and needed leaders to reverse it.

"Labor fell asleep at the wheel," says Vic Kamber, a veteran Washington consultant whose firm counts 18 labor unions as clients. "Years of continuous attack by Reagan and Bush policies and its own inertia created a problem."

Gerald McEntee, president of the American Federation of State, County and Municipal Employees (AFSCME), the lead-

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are different considerations. The [1994] debate on national health-care reform [showed] how small business had different concerns than big business. The fear [was] that with a limited number of people in a small group, you could have a bad experience and it could be very expensive. So that's just an example of the kinds of issues that have to be dealt with in organizing workers in a small business.

Q. *Why is the environment so [unconducive to] organizing the emerging industries such as computers and other technology jobs?**

A. I believe that there are tremendous opportunities to organize workers in the new work force as well as the old work force.

I think that each of these opportunities requires different techniques and different programs and requires an opportunity to listen to workers and what their issues might be and to find ways that workers are most comfortable in organizing in different industries.

The high-tech industry requires special attention. ... It's highly unorganized, and the issues of those workers can vary from industry to industry.

We have to use new techniques. We have to use focus groups and polling and surveying and so on. And if there is some alternative method of organizing that those workers are more comfortable with, we should be taking an opportunity to develop pilot programs, and what works we should develop even further.

> **"We will organize small businesses as well as big businesses...in every region of the country."**
>
> —John Sweeney
> President, AFL-CIO

Q. *Is the AFL-CIO going to be involved much in corporate campaigns?*

A. The affiliates of the AFL-CIO are going to be involved in corporate campaigns. Our affiliates do the organizing. What we are proposing to do is to provide more assistance to run the training program for organizing, to coordinate where three or four unions may come together in an organizing campaign.

Q. *How effective can a corporate campaign be? Can it work better than a strike?*

A. Corporate campaigns can be used in nonstrike situations as well as strike situations, especially in a company where the union has relationships with other unions in other parts of the world. That can be a tremendous force where the company is organized around the world.

Q. *In a case in Washington, D.C., a union is targeting a company [because it] has some directors who also sit on the board of [the union's] company. Is something like that effective—going after directors?*

A. The workers have to decide what pressure they put on such entities as the board of another company. There are a number of different kinds of tactics they can use.

Q. *Are we going to see more of these kinds of things? Are they the wave of the future?*

A. If [unions] are truly committed to organizing, we're going to see more corporate campaigns than in the past. It'll be nothing new. It'll be to build up the culture of organizing and have as many [people] as possible involved.

Q. *Is there anything in a corporate campaign that's below the belt?*

A. I would hope that we would be reaching out attempting to build bridges between labor and management, but I think that when workers are not getting the attention they are entitled to, that other tactics have to be considered. I would hope that we would have the good sense to use all of the peaceful opportunities to avoid a possible strike or confrontation.

Q. *Is there any danger that an effective corporate campaign could do so much damage to a company or its products that it could result in a loss of jobs?*

A. Sure, and I believe we should strive to keep companies that we have relationships with as healthy as possible. We want companies to stay in business. We want our members to have good jobs with those companies.

* Asked at the National Press Club

Can a car be two things at once?

Can it be one thing one moment

and something totally different the next?

Is it possible?

Nothing is impossible.

Ask a Chrysler engineer.

To the question: Is it a luxury car

or a sports sedan?

They will answer,

yes.

3.5 LITER 24-VALVE 214 HP ENGINE. INDEPENDENT TOURING SUSPENSION. CAB-FORWARD DESIGN. EIGHT-WAY POWER LEATHER-TRIMMED SEATS. POWER EVE


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CHRYSLER
WHERE, 4-WHEEL DISC ABS, CHRYSLER/INFINITY SPATIAL IMAGING™ SOUND SYSTEM. INQUIRIES, 1-800-4-A-CHRYSLER. WEB SITE, http://www.chryslercars.com

ing public-sector union, agrees. "Over the course of the last two decades, labor has lost a considerable amount of power and influence," he says. Now, he maintains, "it has a second chance."

Even so, labor will find that the social, economic, and political landscape has changed dramatically since its halcyon days in the decade after World War II:

■ The American workplace and American workers have changed. Gone are many assembly-line factories that once were ripe for union organizing. In their place are jobs requiring people less interested in joining unions—highly trained professionals who are unsympathetic to the adversarial labor-management relationship and who are empowered to make many decisions themselves.

■ Union clout has been weakened through corporate downsizing, technological advances that displace workers, and the rise of small, service-oriented businesses.

■ The U.S. economy has become highly integrated into the global economy, and many manufacturing and low-skilled jobs have gone overseas. To temper union demands, companies sometimes threaten to send more jobs overseas to cut costs.

■ Labor's traditional ally, the Democratic Party, has lost control of Congress for the first time in 40 years. Republicans set the legislative agenda and are aiming to repeal or weaken labor laws that unions worked hard to get on the books—laws concerning, for example, the minimum wage, unfair labor practices, and worker safety.

Organized labor, however, believes it has an effective message in Sweeney's call for a "new social compact" between business and labor and in the need for higher wages for U.S. workers.

Moreover, labor is quickly moving from an era in which strikes were the principal weapon used against business to one in which companies are subjected to broad-based harassment and pressure.

In California, for example, the Hewlett-Packard Co., the giant technology firm, was drawn into a dispute involving two unions and the janitorial firm it uses at one of its buildings—all as the result of a corporate campaign by the SEIU.

The company is being pressed to force

PHOTO: ©DENNIS COOK—WIDEWORLD

Police took action *after Justice for Janitors blocked a Washington, D.C., bridge in September.*

Milestones In The History Of Organized Labor

1866-1880:
Several umbrella organizations designed to increase the political and economic power of labor unions are launched but prove ineffective.

PHOTO: ©AP/WIDEWORLD

Gompers: AFL's first leader

1886:
Delegates representing both the failed groups and unions that had not previously sought national affiliation meet in Columbus, Ohio, to form still another national organization. They call it the American Federation of Labor (AFL) and choose Samuel Gompers as the first president.

1894:
A rail workers' strike against the Pullman Co. collapses after federal courts find the action in violation of the Sherman Anti-Trust Law, which prohibits actions that restrain trade.

The injunction thereafter becomes a major employer defense against strikes.

1913:
The 10-year-old U.S. Department of Commerce and Labor is split, creating a new Department of Labor to give special attention to labor's agenda.

1920:
A postwar depression causes high unemployment that sharply curbs union growth.

Another limit on union organizing is the insistence of AFL leaders on the union's traditional policy of recruiting only skilled craftsmen, thus barring as members unskilled and semiskilled assembly-line workers.

1924:
Samuel Gompers dies and is succeeded by William Green. Green's tenure lasts until 1952.

1932:
The labor movement's modern era begins as the Depression takes hold, and Congress passes the Norris-LaGuardia Anti-Injunction Act, which puts substantial limits on the issuance of injunctions to halt strikes. The act also makes other labor-law changes sought by unions.

1935:
The ability of labor to organize and bargain collectively is grounded even more solidly in federal law with the passage of the National Labor Relations Act.

A breakaway group of AFL leaders creates the Congress of Industrial Organizations (CIO) for the scorned assembly-line workers, who were not eligible for specialized craft unions.

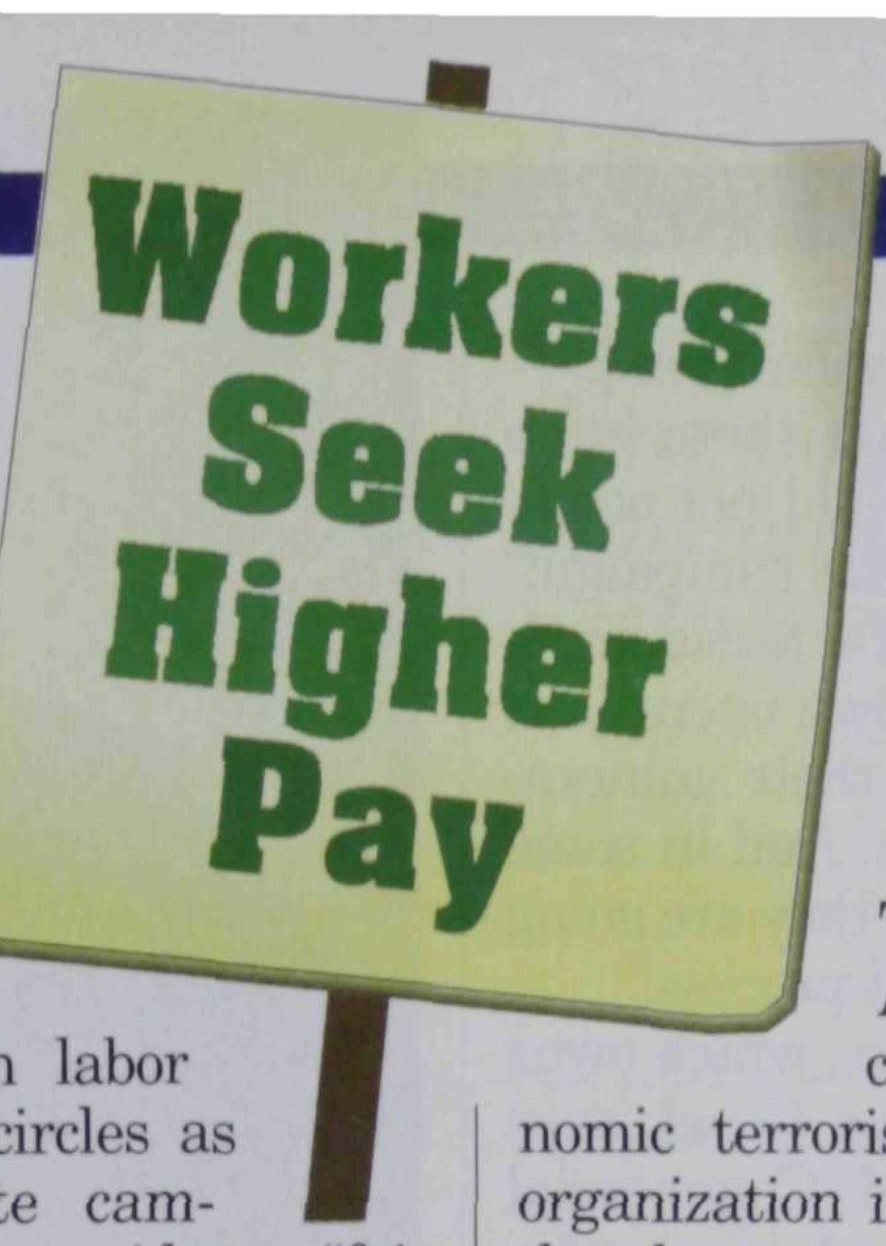
1940:
Union membership stands at 8.7 million—27 percent of the work force—as a result of intensive organizing drives aided by pro-labor legislation and growing employment as military-related production begins to expand.

1940s:
The CIO's impact is felt in a new work-stoppage technique, the so-called sit-down strike, in which workers prevent production by occupying workplaces.

PHOTO: ©AP/WIDEWORLD

CIO's 1945 strike at GM

1945:
The 14.3 million U.S. workers who are members of labor unions represent 35.5 percent of the work force, the highest percentage that would be reached by organized labor.



the Somers Building Maintenance Co., which cleans a Hewlett-Packard building in Roseville, near Sacramento, to recognize the SEIU as the union for the janitors instead of the one voted for by the Somers employees themselves, called Local 1 of the Couriers and Service Employees Union. So far, the company has refused to get drawn into the dispute.

The SEIU, meanwhile, continues to pressure Somers. Randy Schaber, a Somers director and head of his own real-estate-development firm in Sacramento, says the SEIU has picketed his firm and has even come to his house. "What they're trying to do is to harass me to tell the owner to sign" an agreement to recognize the SEIU as the union, he says. "This is extortion, absolute extortion."

A similar approach was taken last year by the Teamsters union in the now-settled strike against Ryder Automotive Carrier Group Inc., which carried General Motors cars to dealers. GM became a target because the automaker, eager to get its vehicles to customers, offered $100 per car to dealers who would drive cars from distribution centers to their showrooms.

To punish those dealers, Teamsters members followed them back to their dealerships and distributed leaflets to new-car shoppers, urging them to check the prices that dealers paid for the cars.

Ray Rogers, a veteran labor activist known in some circles as "the father of corporate campaigns," says unions must consider as "fair game" the "powerful web of corporate and financial support" that backs businesses. "We're saying to the workers, 'You have a lot more power than to withhold your labor,'" he says.

Rogers says he likes to focus on a company's bottom line. That could mean, for example, moving the union's bank accounts (such as pension funds) out of a bank tied to the targeted company, putting pressure on the company's bank, which in turn may strain relations between the bank and the targeted company.

Business, however, is crying foul.

"Unions have decided that the only way to move is with a vigorous program of behavior that we haven't seen in a long time," says Thomas J. Donohue, president and chief executive officer of the American Trucking Associations, in Alexandria, Va. Corporate campaigns amount to "economic terrorism," says Donohue, whose organization includes trucking companies that have experienced some tough corporate campaigns.

To Donohue and others in business, corporate campaigns represent violent attacks on a company's reputation, ability to get capital, and products or services. Says Josten: "These corporate campaigns are in effect smear campaigns to destroy a company's image by frightening its banks, pension-fund managers, suppliers, customers, and others."

In response, business has already changed its mind-set on corporate campaigns, says Jeffrey McGuiness, president of the Labor Policy Association, a

1946-50:
A record number of strikes pits labor against companies seeking to meet pent-up postwar demands for consumer products.

1947:
Extensive public opposition to labor's growing power results in passage of the Taft-Hartley Act, which allows states to bar collective-bargaining agreements that require union membership as a condition of employment and to limit unions in other respects.


PHOTO: ©AP/WIDEWORLD

Meany: heading the merged AFL-CIO

1952:
George Meany becomes AFL president, succeeding William Green, who died. Unions represent 31 percent of the work force.

1955:
The AFL and the CIO, concerned that an increasingly adverse public opinion might lead to further governmental restraints on organized labor, join forces to fight the threat.

Meany becomes head of the new, 15-million-member federation, the AFL-CIO.

1957:
A Senate committee spotlights widespread racketeering and corruption in many areas of organized labor. One result is the AFL-CIO's expulsion of the Teamsters union, in which evidence suggested corruption was widespread. The committee's revelations intensify public sentiment against big labor.

1978:
Organized labor fails to achieve a federal legislative goal it viewed as critical to reversing its long decline in membership and political influence. The legislation would have made it easier for unions to organize and harder for employers to resist organization efforts.


PHOTO: ©AP/WIDEWORLD

Air controllers' strike

1979:
George Meany retires as AFL-CIO president and is succeeded by Lane Kirkland, a veteran of the organization's administrative staff. Kirkland is seen as a new breed of leader who can bring labor into the modern era.

Unions represent 21 percent of the work force.

1981:
President Reagan's firing of federal air-traffic-control workers who had gone on strike wins broad public support and makes it more difficult generally for labor leaders to gain popular backing for their goals.

1994-95:
A group of insurgent union leaders, concerned about labor's falling membership and clout, is critical of Kirkland for failing to provide strong leadership when unions are facing tough times. Only 15.5 percent of the work force is unionized.

1995:
Kirkland at first insists he will stand for re-election, then realizes he can't win. He resigns in August. In October, John J. Sweeney, president of the Service Employees International Union, is elected AFL-CIO president.

In the 15 years that Sweeney was president of the service-employees union, its membership in the United States and Canada grew to 1.1 million from 625,000.

—Robert T. Gray


PHOTO: ©REGIS LEFEBURE—FOLIO, INC.

New union target?

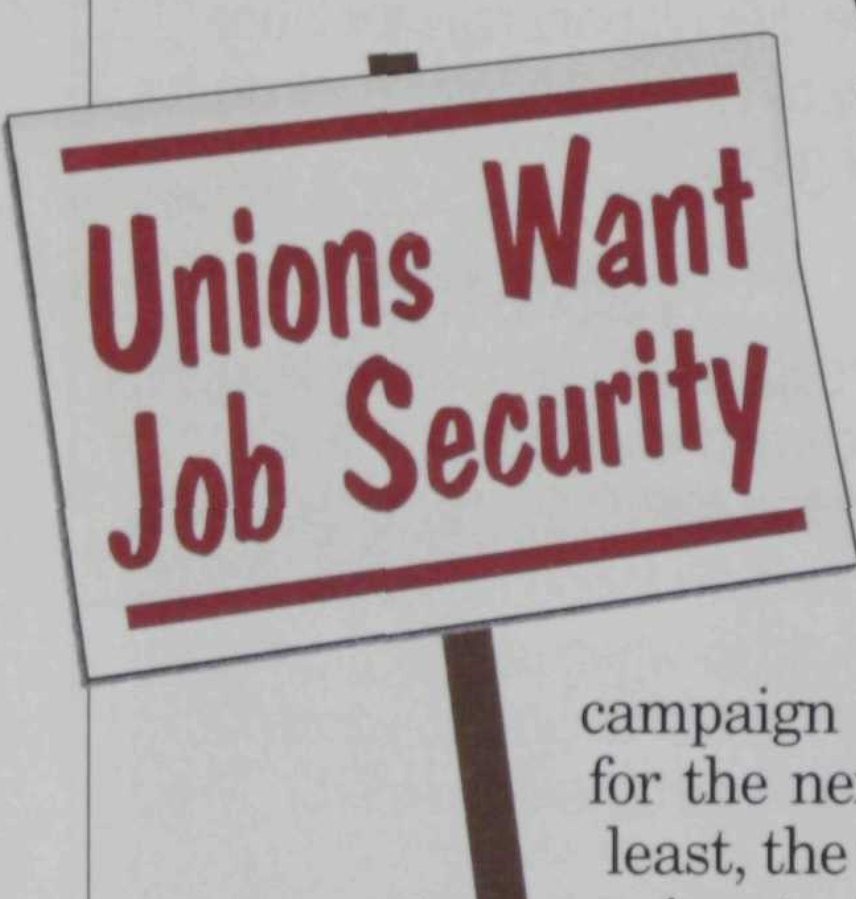
Washington, D.C.-based business group.

"Now, there is a sense that there is no company in America that could not easily become a target of a corporate campaign," he says. To prepare for such a tactic, businesses are looking at their own operations and practices, determining their vulnerabilities, and correcting them. And in some instances, McGuiness notes, they are going further after completing that process.

For example, Food Lion Co., which owns supermarkets along the East Coast, says that the United Food and Commercial Workers International Union has waged a corporate campaign against it, and the company in turn has sued the union under the federal Racketeer Influenced and Corrupt Organizations (RICO) Act. The suit, alleging fraud and extortion and seeking $100 million in damages, is pending in federal court in North Carolina.

On a broader level, a drive to have corporate campaigns restricted or limited is being established and led by the U.S. Chamber and includes the American Trucking Associations, the Associated Builders and Contractors, and other business groups.

Nonetheless, corporate campaigns are expected to be part of the landscape for some time. Notes Harold Coxson, a Washington attorney who has shepherded business alliances on labor issues in the past and is working on the corporate-campaign alliance: "It is, for the next five years at least, the way unions are going to try to organize and to coerce collective-bargaining terms."



Labor leaders hope that their new aggressiveness will help build membership rosters. And they have made organizing a top priority.

"The AFL-CIO has never seen itself having a major role in organizing workers," says AFSCME's McEntee, a member of the federation's executive council. "Now that's changed. The AFL-CIO has readily embraced the idea that they should lead this organizing drive."

The AFL-CIO is planning a "Union Summer" of organizing and a "Union Fall" of campaigning for labor allies in the elections. It is planning to increase its $2.5 million annual budget for organizing to at least $20 million to bolster its six-year-old Organizing Institute and supplement organizing efforts by individual unions.

In addition to the Boeing settlement and

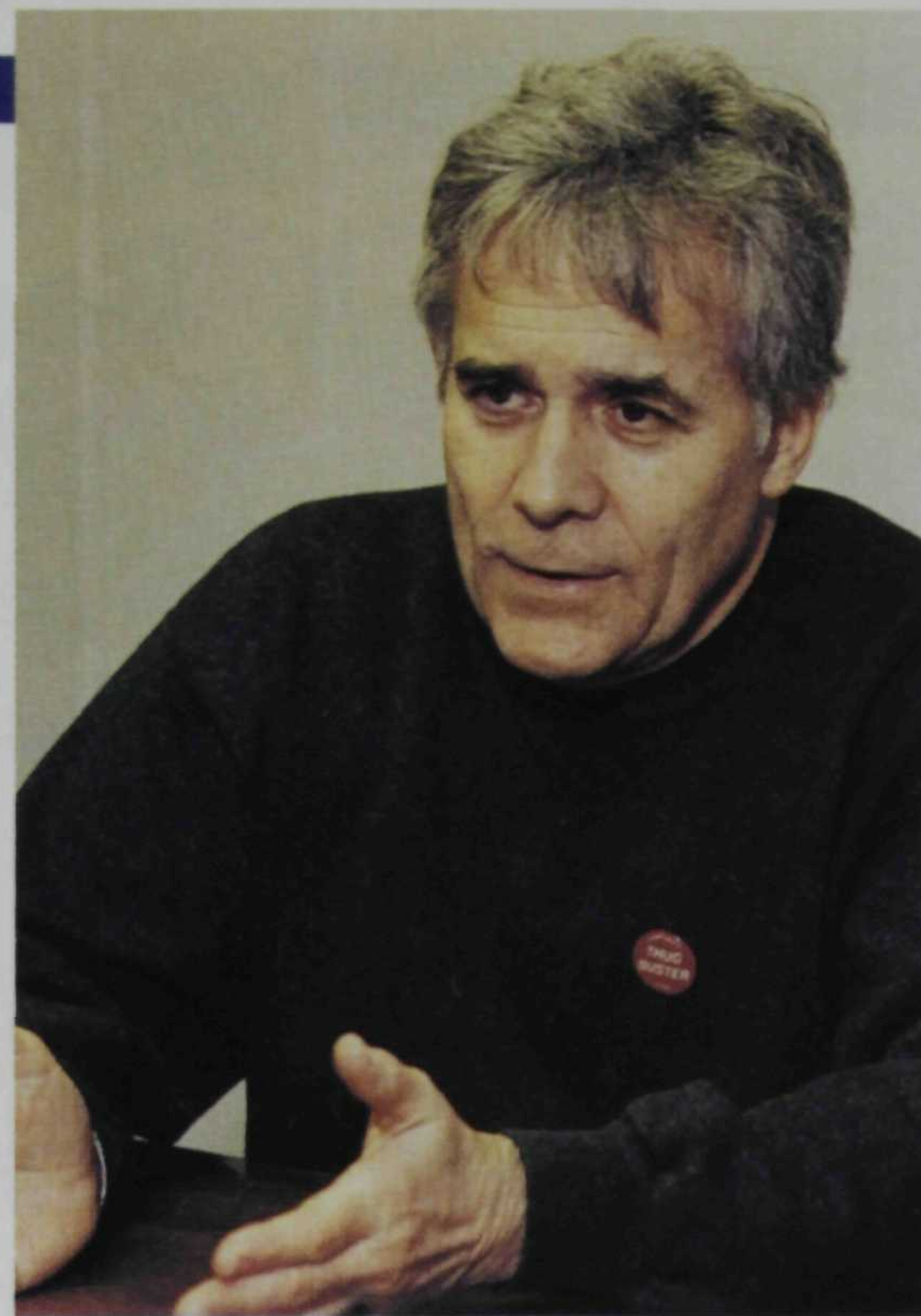


PHOTO: T. MICHAEL KEZA

Unions should aim *for business's bottom line, says labor activist Ray Rogers.*

the union victory in the dispute with Bell Atlantic, a recent U.S. Supreme Court decision has helped to embolden labor. Late last year, the practice known as "salting"—in which a labor organizer takes a job with a firm with the intent to form a union—was upheld in a unanimous decision by the high court. The ruling upholds the National Labor Relations Board's interpretation of the word "employee" to include paid union organizers, called "salts."

Gary Hess, president of Hess Mechanical Corp., in Upper Marlboro, Md., and this year's president of the Associated Builders and Contractors, says the decision won't change much about the way businesses deal with labor organizers. However, Hess says business may see "stepped-up union activity" in using this practice.

Salting can have devastating consequences for targeted businesses. For example, take the six-man electrical firm run by Greg Sheets of Livingston, La.

Members of a local electrical union sought to organize his firm, Tri-Parish Electric, by having a union organizer pose as a job applicant. Sheets hired the man but says he began having trouble with the employee's work performance. He fired the worker for nonperformance, he says, but the termination took place after he had discovered the man was a union organizer.

The NLRB found Sheets in violation of labor laws and ordered him to pay the man's back wages.

Now, Sheets is looking for a job himself, he says. "I'm going out of business. ... I'm flat broke." Notes his attorney, Michael Whitehead of New Orleans: "Greg was unfortunate in that the unions seem to have targeted him with a campaign to organize."

While corporate campaigns and more-intense organizing may increase labor's wilted clout and boost its sagging membership, there's a lack of agreement on the long-term prospects.

Leo Troy, a professor of economics at Rutgers University's campus in Newark, N.J., and a noted labor economist, expects a continued decline in union membership in the private sector but an increase, at least for a while, in membership in public-employee unions, which are "on the verge of topping out."

Troy says that about 55 percent of total union membership is now in the private sector, with the rest in the public sector. In the next decade, the public-private percentages will reverse, he says. As a result, "the center of gravity in the union movement will shift from private to public."

To union consultant Kamber, labor needs to catch up on a lot of basic work and will now experiment with new ways to organize, communicate, bargain, get out the vote, and educate members.

"Labor has done a poor job of selling the message that we still need unions in the 1990s," he says. Though many of labor's historic goals have resulted in federal legislation, there are still areas—such as health care and pension coverage—that have no guarantees in federal law.

But even Kamber says organizing will be more difficult in an era when big companies have downsized or broken into smaller units and the number of small businesses is on the rise. "The units have become smaller and smaller," he notes, "and the cost of organizing has become greater and greater." Indeed, businesses with fewer than 20 employees generate about half the nation's new jobs, according to small-business experts.

In an effort to bring back organized labor's glory days, Sweeney is trying to tap a responsive chord among consumers and workers with his call for higher wages and a greater voice in producing America's goods and services.

But whether labor can return to the times when union leaders such as Samuel Gompers, Walter Reuther, and George Meany were among the most powerful men in America remains to be seen.

In any event, there could be some explosive conflicts between labor and business along the way, and labor consultant Kamber is predictably upbeat: "Business has had it soft and easy for 15 years under Reagan and Bush, and they think labor is a whipped puppy dog. Labor's going to surprise them." NB

To order a reprint of this story, see Page 61. For a fax copy, see Page 37.

MANAGING

Emotions In The Workplace

Harnessing and directing their power can improve your company's teamwork and effectiveness.

By Sharon Nelton

Not so very long ago, business owners and managers believed that emotions—their own and their employees'—were to be left outside the company gate. Not anymore.

"Give them a high priority, because they affect productivity," says Willis T. White Jr., president and CEO of West Coast Valet Service, a commercial dry-cleaning and laundry service in Burlingame, Calif. "When people are stressed, when people are frustrated, it's hard to get any input from them and it's hard to get any productivity. You might see the quantity, but you don't get the quality."

Like White, many in the business world recognize that our feelings—fear, joy, excitement, frustration, hurt, sadness, anxiety, elation—march with us right into the office or onto the job site.

"You can't divorce emotions from the workplace because you can't divorce emotions from people," says Marta Vago, a family-business consultant and executive coach based in Santa Monica, Calif. "The challenge," she says, "is not to get rid of emotions but to understand them and manage them in oneself and others."

Business people and researchers are beginning to find that when understood and managed wisely, emotions can enhance a business. But if they go unacknowledged or are misunderstood or mismanaged, they set a business back.

PHOTO: ©ROBERT HOLMGREN

Because emotions affect productivity, *they should be given high priority, says Willis T. White Jr., head of a dry-cleaning and laundry firm in Burlingame, Calif.*

"The management of emotions is critical," says Ken Druck, a consulting psychologist in Solana Beach, Calif. "We can't afford not to pay attention to how we feel and others feel."

Businesses need emotions, contends Kenneth Kaye, a Chicago psychologist. "An organization without any emotion would be an organization where everybody thinks alike about everything, and if everybody thinks alike about everything, then there's not any benefit of any new ideas," he says.

Emotions, say many psychologists and business leaders, can help teams work effectively, can create commitment because of the excitement employees feel about their work, can energize workers, and can enable them to unleash their creativity.

Even the fact that individuals differ in emotional makeup is good for a company, says Marcy Wydman, chairman and CEO of the Witt Co., a 170-employee sheet-metal fabrication and galvanizing business in Cincinnati. Such diversity, she says, results in better decision making.

But there's a dark side to emotions.

White's 50-employee, $3 million dry-cleaning company has been growing very fast—50 percent in 1995 alone, he says. And when you grow so fast, and things go wrong, "sometimes my responses are a little short and maybe a little inappropriate," he says. Not realizing a worker is trying to handle a workload that has doubled because of expansion, White says, he may lash out at the employee. "Then the person becomes more frustrated with resolving the problem as opposed to being encouraged."

Jerrold L. Miller, president of Earl Industries, Inc., a $35 million ship-repair business in Portsmouth, Va., laughed ruefully when he was asked to participate in this story. "I just had a shouting match with my best customer," he said.

Miller's employees had gone out of their way to put together a proposal for the customer, who was in a desperate pinch, Miller explained. Then, when the proposal was done, the client company changed its mind about what it wanted, and Miller blew up at the customer's representative. Later that day, he said, "I was talking to my people about what I did, and I said, 'I can't believe I talked to those people like that.' "

Soon after Wydman took over leadership of the Witt Co. six years ago, the company became what she calls "a political football," coming under public scrutiny for wastewater violations that it had largely already corrected. "I got very wrapped up in the emotional impact of that," she says. In retrospect, she feels she wasn't as sensitive as she should have been to what other people in the company were going through. As a result, she says, "it set back the level of trust a little bit inside the company, which took some rebuilding."

"One of the things I learned is that whatever emotional state as a leader I'm in impacts the organization around me," says

MANAGING

Wydman. "It's important to keep yourself motivated and positive because of the impact that has on your organization and yourself."

The role of emotions in business and in life is getting more respect in business and elsewhere these days, in part because of a flowering of research on emotions in the past decade. In a groundbreaking bestseller, *Emotional Intelligence*, psychologist Daniel Goleman has pulled together major recent scientific findings on emotions, including brain research, and makes a case for the belief that emotional understanding and skills, more than one's IQ, can lead to success and happiness.

In an interview with *Nation's Business*, Goleman described five components of emotional intelligence that he says are essential to business owners and managers.

"The first is being aware of what you're feeling, and using your feelings to make good decisions," he said. There aren't always clear signposts for whether to propose a deal, let someone go, or reorganize a business, he said. He contends that you have to learn to trust your "gut feeling" and recognize that it provides useful information.

"The second element of emotional intelligence is managing your moods," said Goleman. This means not letting worries, anxieties, anger, or feeling down get in the way of what you have to do or make you react in a way that you're going to regret later.

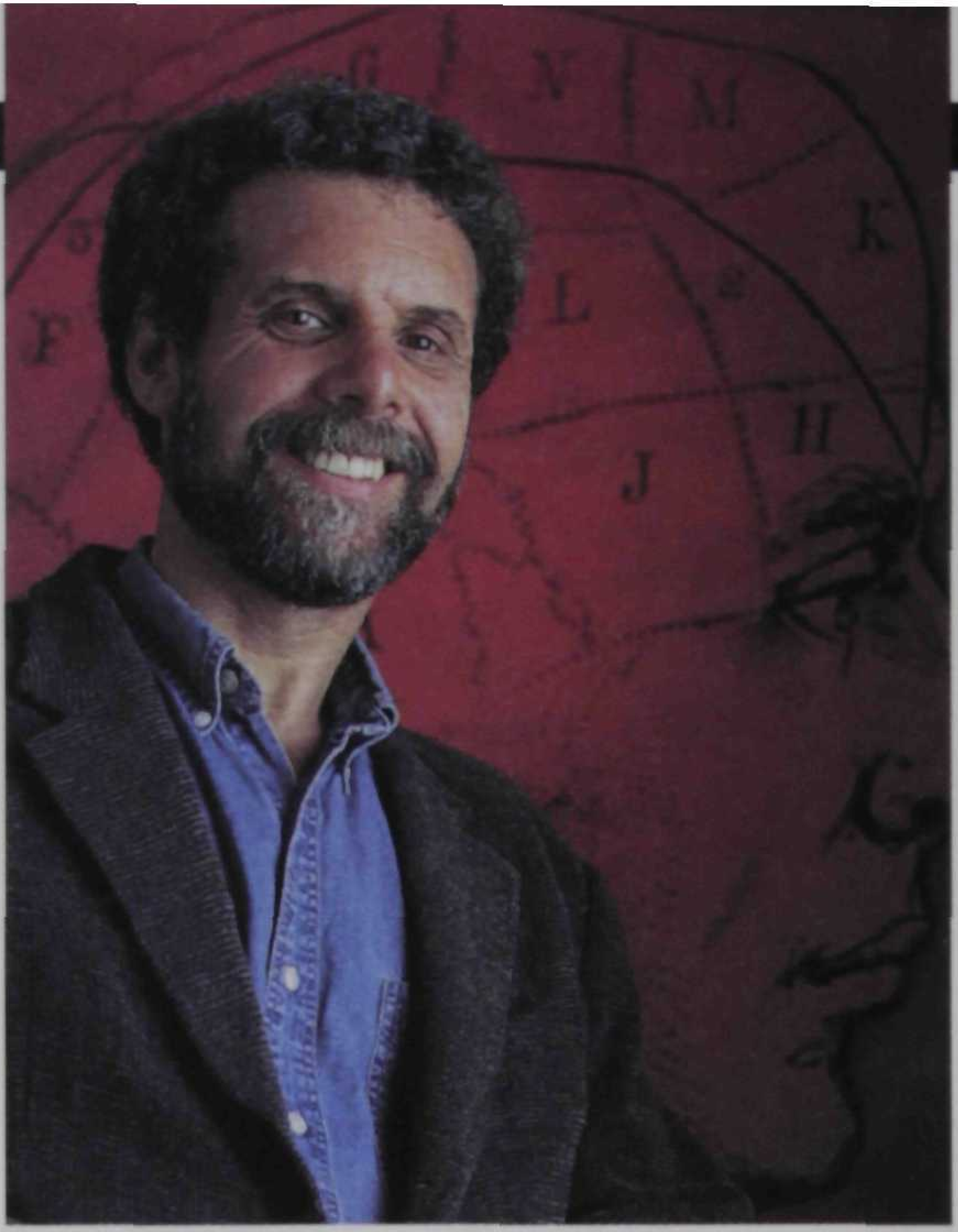


PHOTO: ©WEBB CHAPPELL

Emotional skills *are essential for managers, says psychologist Daniel Goleman.*

Anger and extreme worry, according to Goleman, shrink your capacity for intellectual work. "So you need to be able to manage your moods in order to think more clearly and perform better."

West Coast Valet's White, for example, recalls times when the power has gone out at his laundry firm and he has sent his employees out to as many as 30 coin-operated laundries to do his customers' jobs or has found sympathetic competitors willing to take on some of his work.

"You become very resourceful," White says. "When you're thinking that you're doomed, then you don't come up with those kinds of ideas."

The third critical element Goleman described is the business leader's motivation—that is, the ability to be hopeful and optimistic despite setbacks and failure. "It's a crucial psychological ability for pursuing goals—particularly long-term goals in business," he said.

Empathy is the fourth component. "What I mean is being able to tell what people are feeling without their having to tell you," Goleman explained. "People almost never tell you with words what they feel anyway. They tell in tone of voice, facial expression, and so on."

Empathy is what helps you conclude a deal or make a sale. The best salespeople don't take a hard approach, Goleman said. "They do something more artful. They take the other person's perspective, find out what they really want and how they really feel about the thing, and then they try to act as a consultant to them to help them find the best solution to what they're looking for. And you've got to have empathy to do that."

It also keeps your customers coming

Boosting Morale In Troubled Times

In the face of financial trouble in a company, emotions such as anxiety, hostility, and fear run high. Major shifts of direction tied to restructuring, downsizing, or mergers often have the same effect.

The challenge for a business owner is to keep employees' emotions from eroding productivity and morale at a time when performance is critical.

In this regard, small companies have an advantage over larger ones, says Gil Wetzel, senior vice president of Right Associates, a human-resources consulting firm in Philadelphia. When things are in disarray in large companies, he says, executives often realize that they must attend to employees' feelings and concerns, but their actions are diluted and modified as they are filtered through layers of the organization.

Owners and managers of small companies, on the other hand, can address a troubled workplace mood directly and immediately. They often don't realize, however, that such action is needed. They are "focused on business survival," Wetzel says. "That is one reason why they overlook the dilemma."

Nonetheless, he says, the owner of a small firm is often the only person who can relieve employees' stress. "Employees look to the owner for leadership, and they notice and respond to his or her demeanor. You need to exude confidence—not be all smiles when times are grim, but not project gloom and doom either," Wetzel says.

In the wake of a downsizing or other critical turning point, says Wetzel, employees typically exhibit distrust, a lack of confidence, high levels of stress, and doubts about their roles. Resistance, uncertainty, anger, and guilt and grief over departed colleagues are common.

Wetzel offers these suggestions to company leaders for reducing anxiety among employees:

■ Understand that workers always need to feel valued, but never more than when things aren't going well. A sure way to destroy morale and increase stress, he says, is to tell people they should feel happy to have a job.

■ Consider what low-value tasks you can remove from employees' daily workload, especially if understaffing has expanded their duties.

■ Although material rewards alone are not a solution, consider low-cost acknowledgements of a job well done. If chosen carefully, these can be effective because small-company owners know each person and what he or she values. An example is to give a pair of $20 tickets to someone who enjoys the theater.

The most important thing to do in tough times, says Wetzel, is to be honest with employees about what is happening. "We sometimes don't want to alarm workers by giving them the bloody details, but I think that approach makes them feel uninformed," he says. "Then they fill in the empty blanks with misinformation."

Wetzel recommends involving employees in developing a plan to address the problem at hand. "They will have lots of ideas—some impractical, some unworkable, some you've already thought of. But there may be one or two that might be the answer."

Even if there aren't, he says, the process itself is cathartic.

—*Roberta Maynard*

back. Says the Witt Co.'s Wydman: "If you can figure out what it is that the customers are passionate about, what it is that's important to them, and respond accordingly, and develop a good relationship that's based on more than just providing goods or service, then I think you're going to develop more loyalty and long-term business."

And finally, said Goleman, business owners need social skills—the skills of handling relationships, managing emotions in others, and leading and persuading. He pointed out that because so many businesses are adopting a team approach to accomplishing goals, the ability to handle relationships has become particularly important.

That's true even in the rough-and-tumble world of the shipyard. Miller finds that if a project manager habitually says things to workers that upset them, "the guys on the job are not as motivated to make this fellow look good. . . . They don't really care that his job is falling a little bit behind." And a job falling behind, he says, "really costs us a lot of money."

PHOTO: T. MICHAEL KEZA

Communication *is emphasized by Jerrold Miller, right, president of a ship-repair firm, here talking with Jim Hodges, a superintendent.*

A business leader's emotional self-awareness is critical. Marta Vago, the executive coach, issues a warning about the boss who is always cool, calm, and collected while his subordinates are constantly angry and bickering with one another. "This could be an indication that other people are 'carrying' his feelings for him," she says. "It's almost like a hot potato that he throws to other people around him."

On the other hand, she says, if the boss is a hothead, the people around him, often unconsciously, "become extra calm and extra cautious to balance the equation."

Neither boss—not even the calm one—is managing his emotions, says Vago. "The boss who is calm is actually denying or controlling his emotions. That is not the same as managing them," she says.

Managing emotions, according to Vago, is a three-step process. "First is actually feeling your feelings. Second is thinking about what those feelings mean. And third is choosing a course of action. It's usually that middle piece that is flawed or absent."

A business owner who does not recognize his or her own fears can impede the growth and health of the company, according to Lorraine H. Warshaw of Reston, Va., a management consultant to emerging-growth and closely held companies. "As a business grows," she says, "it forces the owner to stretch." If what the company needs "brings up a fear in the belly of the owner," she says, often the owner will not give the company what it needs.

Sometimes business owners say they do not want to grow their business beyond a certain level—and they may have good business reasons or lifestyle reasons for that position, Warshaw says. "But oftentimes they're not comfortable with whatever they imagine will be required of them in a larger-scale operation." Then they offer "all kinds of rationalizations," perhaps not recognizing their own fear, she says. "Every time they say, 'Yes, but . . . ,' that's a sabotage. That should be a flag to them that there's something about what they're being asked to do that is uncomfortable for them."

Upon recognizing the fear for what it is, Warshaw says, the entrepreneur can use it as an opportunity to grow personally.

Here are some other ways that business owners can use or manage emotions to enhance their companies:

Become reflective.

That's the "core" of intelligent management of emotions, says psychologist Druck. "It's the moment where we take a step back from the immediate activity. It might even be the immediate emotion."

Taking a step back offers a chance for healthy detachment and reflection about how you feel about something, he says, and when you become attuned to what you feel, you begin to trust your emotions and use them rather than repress them.

Keep communicating.

Communication can help a person avoid negatively charged situations, and it can cool tempers. As the volume of his laundry and dry-cleaning business increased rapidly, White recently found himself facing a work stoppage by angry employees who wanted pay raises because they thought they'd have to handle bigger workloads. White sat down with them and explained that growth would mean creating new jobs, including new supervisory positions, giving current employees more opportunities for promotion. He assured them he was not expecting them to do twice as much work for the same pay.

"That brought about some calmness," he says. "People were able to get back to work."

At 7:30 a.m. five days a week, ship-repair executive Miller of Earl Industries, a unit of Digital Systems Research, in Arlington, Va., meets with about 20 key members of his staff. He wants his employees to understand why there's a hurry on one job or why the electricians will be at one site instead of another. People don't get so upset when they understand what's going on and why, he says.

Help employees improve their emotional skills.

Being a role model, says consultant Vago, "is the most potent way of teaching. Who you are, how you are, how you deal with people, how you manage your own emotions is the most quick, elegant, and inspiring way to turn a company culture around."

White agrees: "It truly has to start at the top of the organization, because my managers will manage the way I manage."

Look beyond anger.

Anger, according to psychologist Kaye, is usually a secondary emotion, often masking some other emotion—such as hurt, humiliation, or fear—that an individual may feel too vulnerable to talk about.

If you're confronted by an angry employee, Kaye advises, assure him that you know he has a valid reason for coming to you with the concern. Hear him out. Then say something like: "There's so much energy and so much feeling behind what you're expressing that I think there's more at stake here, isn't there, than just the outcome of that marketing plan?"

If the employee responds by expressing fear that a promotion has been lost or his value to the company has been undermined, it's an appropriate work concern for you to address.

If he reveals a personal problem that requires professional help, however, you

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PHOTO: ©JIM CALLAWAY

A company leader's *emotional state affects the entire organization, says Marcy Wydman, CEO of a sheet-metal firm in Cincinnati.*

can arrange for the appropriate referral.

Listening is crucial, according to Kaye. "If you try to shut somebody down when they're angry or emotional, they will feel not heard, and they will feel more upset, more angry, and perhaps more irrational."

Keep emotional factors in mind when hiring and team-building.

"I try to get a sense of the whole person if I can," says Wydman. She has made some hiring mistakes, she says, but over the years she has built a top management team that works harmoniously and whose members are committed to the same values that she is, such as integrity, fairness and respect for employees, and commitment to creativity and innovation.

In fact, Wydman, whose great-grandfather started the Witt Co., has such confidence in her team that she has accepted a second position, as director of the Next Generation Leadership Institute at the Loyola University Chicago Family Business Center. She splits her time between Chicago and Cincinnati.

Reframe the situation.

Sometimes we become hurt, angry, or tense because of the way we look at things, not because that's the way they really are.

Management-development specialist Carol Rudman, in her book *Frames of Reference,* suggests the example of a committee chairman whose group gets into very heated discussions.

The chairman can look at the verbal battling as mutual anger or hostile competitiveness and get upset. Or the scene can be viewed as a sign that group members are committed to their task and that their energy and differences will make the committee more productive.

But what do you do if you've blown up at somebody—a customer or an employee? Say you're sorry.

The day after he got into the shouting match with his customer, Earl Industries' Miller went to see the man to apologize. The customer said Miller had been right, and Miller said, "I think I was right, but I didn't present it properly."

"Ever since that day," says Miller, "we've been treated differently by this gentleman. I think he has a lot more respect for us now." Not only because Miller stood up for his principles but also because he had the grace to make amends.

White of West Coast Valet says that if he lashes out at an employee, he apologizes. But he recognizes that sometimes a blowup signals a deeper problem—that he hasn't properly communicated with an employee, for example, or that the employee is overworked. By "revisiting" a situation that caused the blowup, he can look for ways to correct the underlying difficulty.

Emotions aren't problems to be solved, smart business owners seem to be saying. They're useful. They make life worth living. And it's through them that we grow—both as business leaders and as people. NB

To order a reprint of this story, see Page 61.
For a fax copy, see Page 37.

Need A Life Raft?

The following resources can help you gain additional knowledge about how the management of emotions can benefit your business:

Books

Emotional Intelligence, by Daniel Goleman (Bantam, $23.95). When it comes to being smart, the author contends, "EQ" may be more important than IQ.

Workplace Wars and How To End Them, by Kenneth Kaye (AMACOM, $19.95). A guide to turning personal conflicts into productive teamwork.

Knock Your Socks Off Answers, by Kristin Anderson and Ron Zemke (AMACOM, $15.95 paperback). Calm, intelligent ways to respond to customers who make your blood boil.

Anger at Work, by Hendrie Weisinger (Morrow, $20). The art of managing anger—whether you're the boss or employee—and using it to enhance a business.

Hidden Dynamics, by Faith Ralston (AMACOM, $19.95). The subtitle says it all: "How Emotions Affect Business Performance and How You Can Harness Their Power for Positive Results."

Frames of Reference, by Carol Rudman (Peterson's/Pacesetter, $22.95). A manual on communications that pays special attention to emotions.

Videotapes

Video Arts, Inc., offers two entertaining, 28-minute training videos that illustrate the use of emotional skills with customers. "If Looks Could Kill" shows how a business owner's or employee's behavior can affect a customer for better or worse. "The Case of the Vanishing Customers" demonstrates that by thinking before you act, you can choose the emotion you wish to convey.

Produced by a company co-founded by British actor John Cleese, the videos are styled after British mysteries.

For information on previewing, renting, or purchasing the tapes, call 1-800-553-0091.

How to choose a charity to invest with

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85	10.9%	13.4%
90	12.0%	15.1%

*Net rate after tax savings from charitable deduction (assumes combined federal and state income tax rate of 33.7 %)

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TRANSPORTATION

Smart Cars, Smart Roads

Space-age traffic-management systems could be the best way to prevent gridlock in the coming century.

By Julie Candler

ENTERPRISE 2000

Picture yourself in the worst traffic jam you can imagine. An accident on the freeway at rush hour makes it bumper-to-bumper for miles ahead, and it takes hours to cover the ground you normally could breeze by in a few minutes.

What if being trapped in that kind of gridlock wasn't just your worst nightmare but happened every day?

For small businesses, which rely on the nation's road system to deliver goods and services quickly, economically, and safely, such a scenario would carry heavy costs not only in terms of aggravation but also for the bottom line. And the scenario may not be that far from becoming reality.

Transportation experts forecast that the use of cars and trucks will increase at a rate that far outstrips the current road system's ability to handle the traffic. The Federal Highway Administration, part of the Department of Transportation, expects that freeway congestion will quadruple by 2005. And "nonfreeway congestion will double" by then, says David Benson, a senior consultant at SRI International, a research and consulting organization in Menlo Park, Calif. "In California alone, more than 300,000 work hours are lost every day in traffic congestion," he adds.

So why not simply build enough roads and highways to handle the load? Many transportation experts and economists say that would be too expensive, would use too much undeveloped land, and would lead to increased pollution.

In addition, such a solution may be too little, too late. "The gap between demand for roads and what's available is widening so fast that there is nobody with enough money to build roads that fast," says Richard Magnuson, founding director of Image Sensing Systems. The company, based in St. Paul, Minn., is participating in a pilot program to demonstrate how the use of technology can reduce traffic problems at the Summer Olympics this year in Atlanta.

In lieu of building more roads, those working to keep traffic from grinding to a crawl are turning more and more to technology. The increased focus has already led to some advances that just a few years ago would have seemed closer to science fiction than to fact, and more space-age systems designed to move traffic better are on the horizon. As Secretary of Transportation Federico Peña says, "America is undergoing a technological revolution in transportation as we apply advanced communications, electronics, and computer technologies to surface-transportation systems."

At the forefront of this revolution is the Intelligent Transportation Society of America, or ITS America, a public-private partnership with more than 1,500 members from industry, government, and academia. The nonprofit scientific and educational organization, based in Washington, D.C., was founded in 1991 as the Intelligent Vehicle-Highway Society of America and has 22 state chapters. Its goal is to improve the efficiency and safety of surface transportation by adapting the technologies developed for and used in space and defense programs and in aviation.

ITS America envisions a future in which, among other things, motorists will be able to cruise at high speeds on highways containing computer chips that can relay information to drivers through communications devices in their cars. Some lanes will even be automated, with a combination of magnetic pegs in the roadway and radar-equipped, programmable cruise-control systems in vehicles allowing for safe, "hands-free" travel.

In addition, traffic-management centers receiving video signals from cameras along highways will be able to update motorists continually—via variable-message signs, radio channels for travelers' advisories, and communications devices in cars—about ac-

This story is part of a continuing series on managing at the turn of the century.

PHOTO: ©STEVE WOIT

The Autoscope system, *designed by Image Sensing Systems, features a bank of video screens at a transportation-management center to interpret signals from cameras placed above freeways.*

cidents, traffic snarls, and the best or alternate routes to take.

All this will cut fuel consumption, improve air quality, reduce accidents, and increase America's productivity and competitiveness, ITS America maintains.

Many members of the organization, which works closely with the Department of Transportation and the FHA, are small businesses that have government and private-sector subcontracts for work on about 250 pilot projects for the federal government's Intelligent Transportation System program, also known as ITS.

The organization, in its strategic plan, forecasts that 80 percent of an estimated $220 billion to be allocated to ITS projects over the next 20 years will be spent in the private sector.

Major categories of projects include advanced traveler-information systems; advanced traffic-management systems; advanced vehicle-control and safety systems; commercial-vehicle operations; emergency management; electronic toll payment; and public-transportation operations.

One of the small businesses involved in the ITS pilot projects is Image Sensing Systems, the St. Paul firm that will participate in a 17-week project—called the Traveler Information Showcase—connected with the Summer Games in Atlanta.

The 40-employee company, which was formed just four years ago in anticipation of the move toward so-called intelligent transportation, will provide 56 image-processing devices for use with 300 overhead video cameras to detect accidents and tie-ups and provide other traffic information during the Olympics. The device, called the Autoscope Wide-Area Vehicle-Detection System, was designed by Image Sensing Systems and is produced for it by an outside firm. More than 2,000 Autoscopes are in use worldwide.

When the device, which interprets video signals from the cameras, detects a traffic incident, it alerts the staff at a transportation-management center. The staff members can then send emergency vehicles and advise approaching motorists—through variable-message signs and a special radio channel—to seek an alternate route.

The Image Sensing Systems equipment can also provide other information. "Each Autoscope monitors about six video cameras, which can tell you how many cars there are and how fast they are moving," says ISS's Magnuson.

From June 1 through Sept. 30, the Traveler Information Showcase at the Olympics will provide other types of information as well to thousands of visitors within a 200-mile radius. About 250 volunteers will be supplied with hand-held, battery-operated communications devices—the Motorola Envoy and the Hewlett-Packard 200LX Palmtop—that will enable them to get continuous updates on traffic conditions, parking, and public transit, and to find out details about restaurants, stores, and hospitals. About 80 motorists will be given in-vehicle navigation and guidance devices—made by Siemens Intelligent Transportation Systems, of Auburn Hills, Mich.—that receive radio signals and store maps and other data on compact discs.

At the Crowne Plaza Hotel, 300 rooms will have interactive televisions that will carry information from the transportation-management center, and interactive kiosks will be set up at Hartsfield International Airport.

Another ITS pilot project is being handled by Rockwell Transportation Systems, a division of Rockwell International, in Anaheim, Calif. The traveler-information and traffic-management project, under a $33 million federal contract that teams the company with the Michigan Department of Transportation, also involves small-business subcontractors. It is the nation's first attempt to integrate an urban system with a suburban one, linking ITS centers in Detroit and Troy.

One small-business member of the team, the Detroit engineering consulting firm Scales and Associates, redesigned the computer facility and operations center for the project. The changes helped expand the ITS coverage from 32 highway miles, with 10 closed-circuit cameras in Detroit, to 180 highway miles and 145 cameras throughout the city and suburbs.

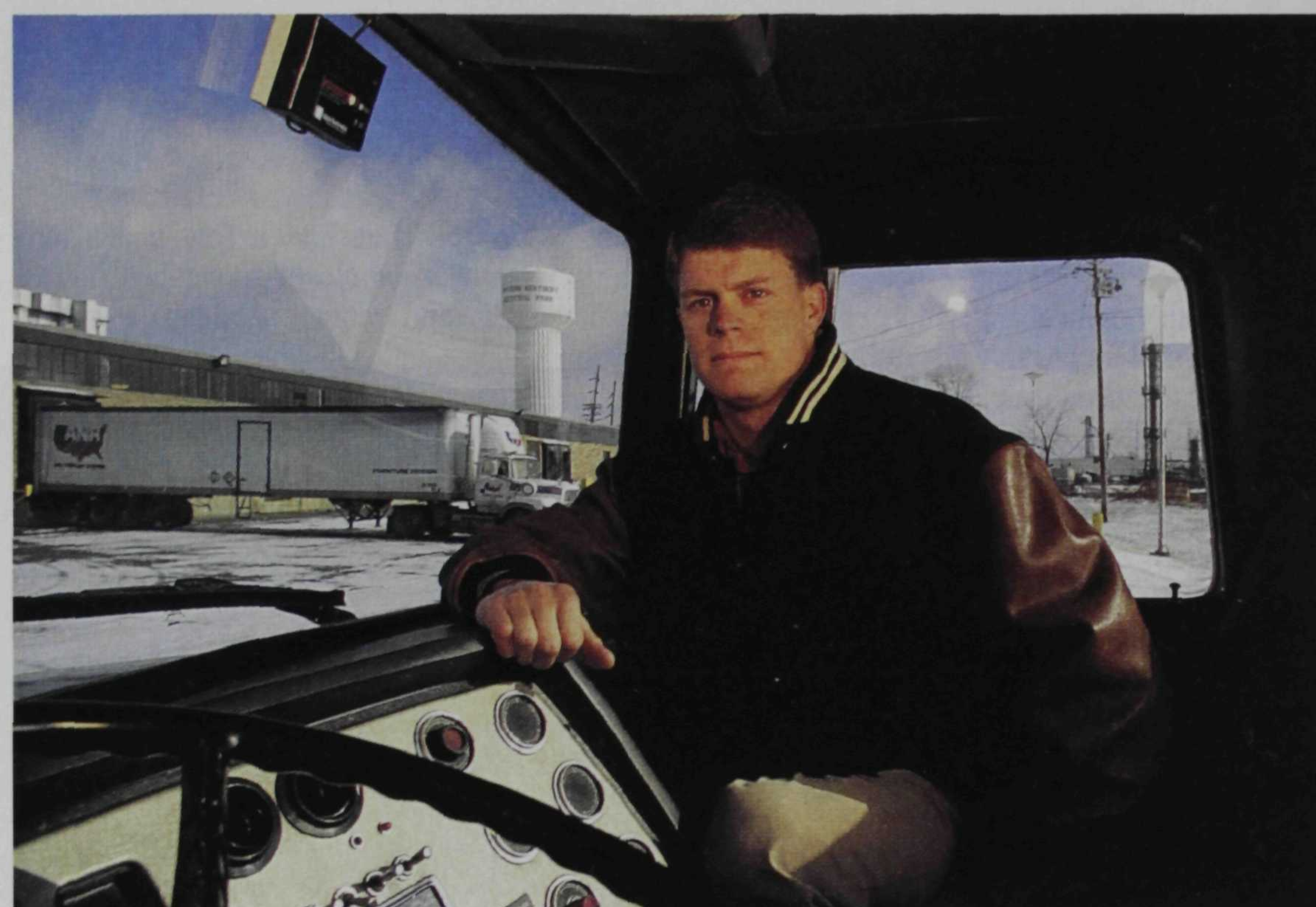


PHOTO: ©JIM CALLAWAY

A transponder *on the windshield of the truck used by Stuart Seltman's paper-tube company is part of an automated weighing system that saves time for truckers on Interstate 75.*

Here are some other developments on the intelligent-transportation frontier:

Weather Samplers

Surface Systems, Inc., of St. Louis, is producing sensors that are installed in highway pavement. Working in tandem with roadside atmospheric sensors, the Surface Systems devices measure temperature, road conditions, and the amount of de-icing chemical on the pavement. The information is routed to a weather center, which then issues forecasts to motorists and to snow- and ice-control crews.

On-Board Navigation

Rockwell Automotive, another division of Rockwell International, in Troy, is producing a navigation device that can guide drivers, turn by turn, to a specific address entered into the system. Called PathMaster, it employs a satellite-based global-positioning system, a computer voice, and a map on an easy-to-read screen to show exactly where the vehicle is at all times.

The system can be used in 14 major population centers where map databases have been assembled. Maps covering the entire U.S. are expected to be available by the end of the year.

"In two or three years," says Roger Stevens, general manager of Rockwell Automotive's electronics operations, "you will be able to buy an integrated navigation and driver-information system. It will take you on the shortest-time route, direct you to emergency services, adjust your route based on traffic congestion ahead, and

TRANSPORTATION

Sensors produced *by Surface Systems, Inc., are installed in highway pavement to measure road conditions.*

provide messages and new information you request. Our eventual goal is to achieve a price under $600 for an integrated system."

Hands-Off Handling

Some firms, working with funds appropriated by Congress under the 1991 Intermodal Surface Transportation Efficiency Act, are developing a prototype of an automated highway system. The FHA hopes to have at least a test track of automated roadway in operation by next year.

Vehicles equipped with intelligent cruise-control systems that would use radar to detect objects ahead and to trigger automatic braking or acceleration would be kept in lanes by magnetic pegs in the highway. Cars and trucks would be able to drive safely at high speeds only inches behind the vehicle ahead.

Looking Backward

Delco Electronics Corp., a division of General Motors, in Kokomo, Ind., has developed a system that uses microwave sensors to detect objects close behind or to the side of a vehicle, eradicating the vehicle's blind spot. The Forewarn system, priced at about $1,000, was introduced by Delco in November for use on heavy-duty trucks.

Harold Collins, the former owner of Collins Moving Systems, Inc., in Kokomo, and now a consultant to the firm, tested the Forewarn system for 100,000 miles starting in May 1994 after Delco installed it for free on his truck. He recalls one instance when the system probably prevented an accident.

He had just passed a car and put on his turn signal to return to the right lane. "Before I could start changing lanes, my turn signal was beeping and the red light on the right-hand mirror was lighting up. I waited a minute before I could see a little sports car on my right trying to squeeze into the same lane. Without Forewarn, I would have run him off the road or we would have collided."

Quick Weigh-Ins

A pilot project under the ITS funding for commercial-vehicle operations has set up automated clearance systems at the 29 truck-weighing stations along the 2,000-mile Interstate 75 corridor from Canada to Florida. Called Advantage I-75, the project is equipping 4,500 trucks with devices that allow them to stop at only a few stations rather than all of them.

The transponders—about the size of a deck of cards—contain a microchip that collects and stores the data about a truck at the first weigh station. After that, a half-mile before many of the weigh stations, the truck drives over electronic scales that can weigh it while it's in motion, then beneath antenna-like data readers. The readers transmit the information to the weigh stations, where computers signal "bypass" or "stop" by audible tones and a green or red light on the transponder.

The system has been a boon for Crescent Paper Tube Co., Inc., which uses a truck to deliver some of the products it manufactures in Florence, Ky. "We started using the transponder in midsummer," says Stuart Seltman, president of the 75-employee firm. "It saves a lot of time, especially on days when the scales get backed up. It also saves wear and tear on the truck by cutting down on stopping, starting, and idling."

To be sure, not everyone has bought into the idea of the Intelligent Transportation System as the answer to America's impending traffic crisis. Clifford Winston, an economist with the Brookings Institution, a Washington, D.C., think tank, says: "Economists are not enthusiastic about intelligent transportation. I support a system of tolls that would charge people for the congestion they cause on the road."

Proponents of intelligent transportation counter that Winston's solution would be one way to build more concrete highways, but that would not address the larger issues of land use, construction and fuel costs, safety, and the environment, and it would perpetually increase the number of vehicles on the road.

In any case, the move to intelligent transportation is gaining momentum. Maryland in August became the first state to cover its entire network of major roadways with a full-time traffic-management system. An operations center in Hanover can monitor traffic flow and keep motorists informed along 16,000 lane miles of interstate highways and major arteries.

Other states will soon follow suit. Meanwhile, Maryland and nearby states have formed the Interstate-95 Northeast Coalition, planning to bring the congested I-95 corridor, from Virginia to Maine, under the umbrella of ITS technology. NB

To Join The High-Tech Road Show

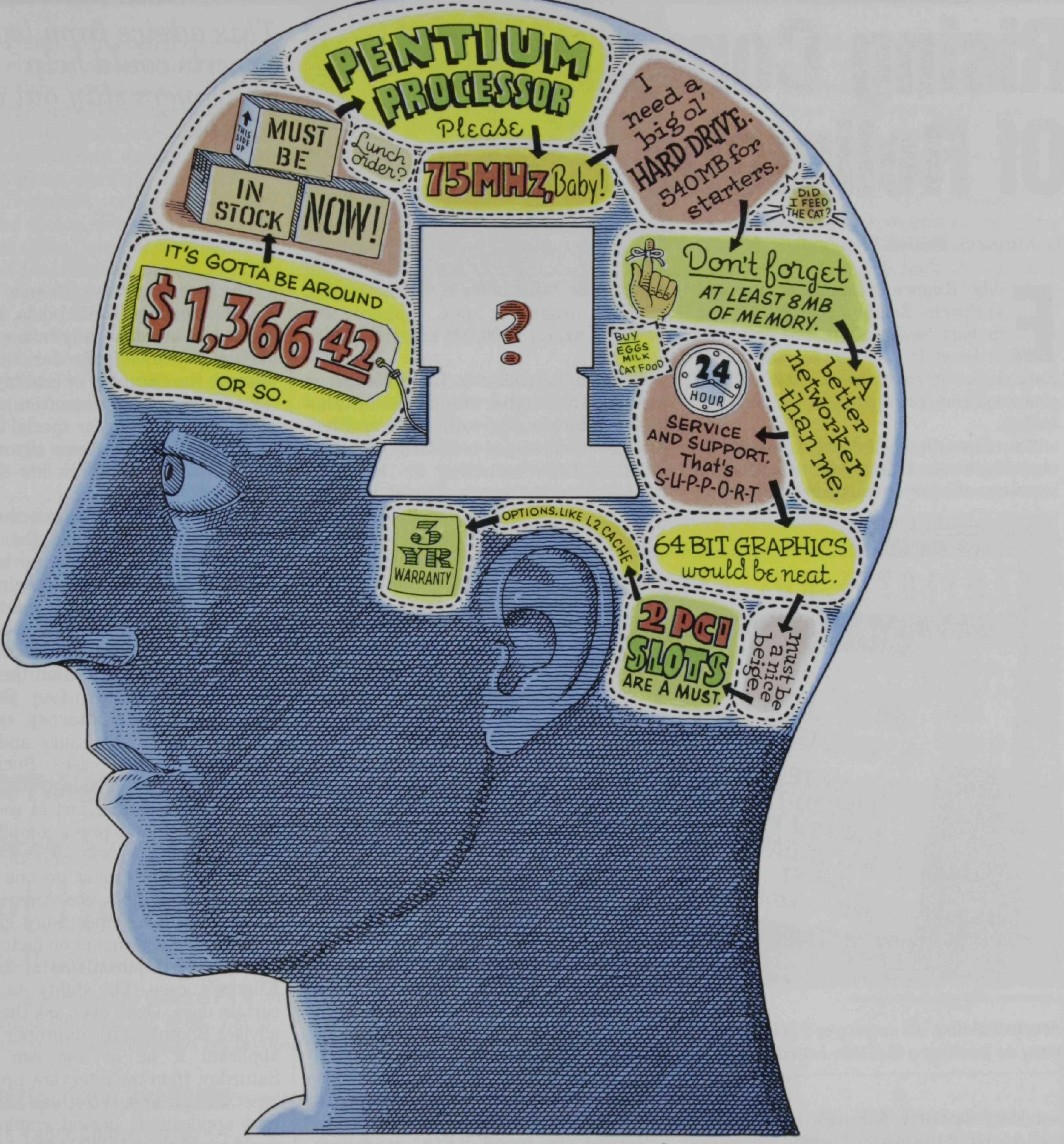
Companies with products, services, or skills that they believe could help the Intelligent Transportation Society of America get traffic flowing can attend the society's sixth annual exposition and meeting, April 15-18 at the George R. Brown Convention Center in Houston.

The cost for ITS America members is $425 if they register by March 15, or $575 thereafter. The costs for nonmembers are $575 by March 15 and $675 thereafter. Information and registration forms are available from Sandra Fitzgerald, the conference registrar, at (202) 484-2902, or by fax at (202) 484-3483.

An all-day seminar, "The ITS Market: Profiting From Deployment," will precede the expo on April 14. The seminar fee is $50 for members and $60 for nonmembers registering by March 15; both pay $75 after that date.

Information about joining ITS America can be obtained from the society's membership director, Paul Gannon, at (202) 484-2894. Memberships, which are priced according to a firm's gross annual revenues, range from $500 to $15,000. However, small businesses in 22 states can join their state ITS chapters for $245.

Information about the state chapters can be obtained from Josie Plachta, chapter coordinator, at (202) 484-4669. The states that have chapters are Arizona, California, Colorado, Florida, Idaho, Illinois, Indiana, Maryland, Massachusetts, Michigan, Minnesota, Montana, New Jersey, New Mexico, New York, Ohio, Pennsylvania, Texas, Utah, Virginia, Wisconsin, and Wyoming.



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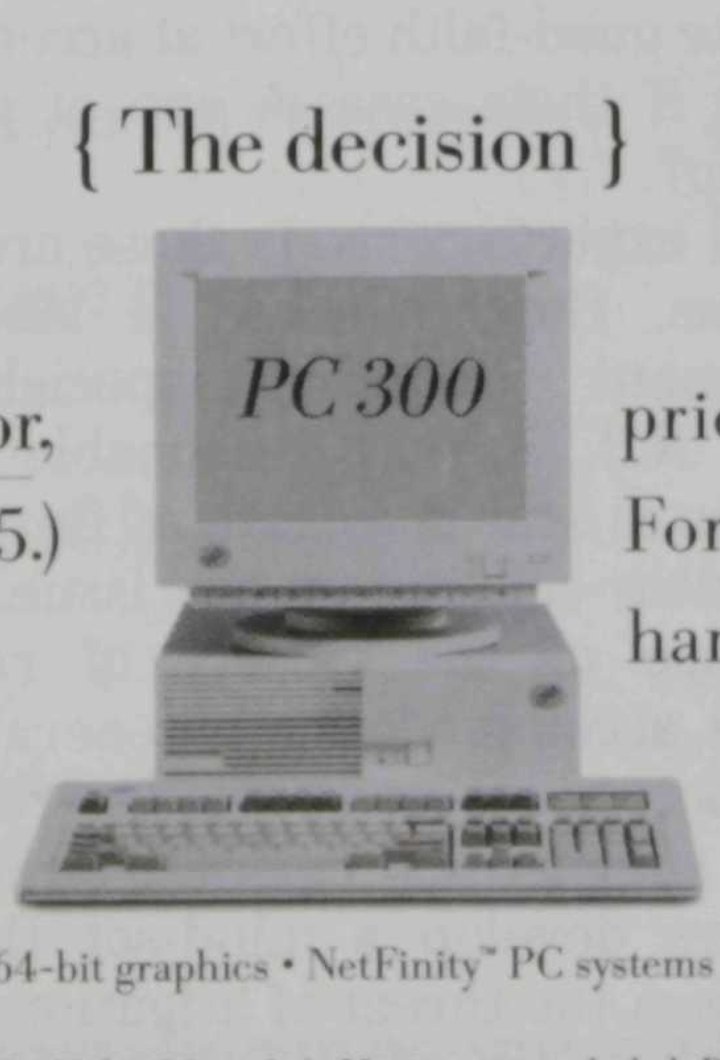
{ The decision }



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MANAGING

Rising Complaints Of Religious Bias

This advice from legal experts could help employers stay out of trouble.

By Janine S. Pouliot

Eddie Kilgore, a computer operator at Sparks Regional Medical Center, in Fort Smith, Ark., was suddenly ordered in 1992 to be on call on Saturdays. He asked to be excused from that requirement because of his religious beliefs.

As a Seventh-day Adventist, he strictly obeys the tenets of his church, which forbids any form of labor from sundown Friday to sundown Saturday. Kilgore's beliefs were well-known at the private hospital, where he had worked for 18 years.

The hospital turned down Kilgore's request to be excused from Saturday duty. He refused to be available, and he was fired.

Accusing Sparks Regional Medical Center of failing to reasonably accommodate his religious beliefs, Kilgore sued for reinstatement, back pay plus interest, emotional pain and suffering, inconvenience, and loss of enjoyment of life.

In 1994, a jury found the hospital to be in violation of Title VII of the Civil Rights Act of 1964. The act prohibits discrimination on the basis of race, color, religion, national origin, or sex. Kilgore was awarded nearly $100,000 and got his job back.

Complaints similar to Kilgore's are on the rise. The number of religious-discrimination charges filed with state and federal agencies jumped to 2,900 in 1994 from 2,200 in 1990, according to the latest figures compiled by the Equal Employment Opportunity Commission (EEOC).

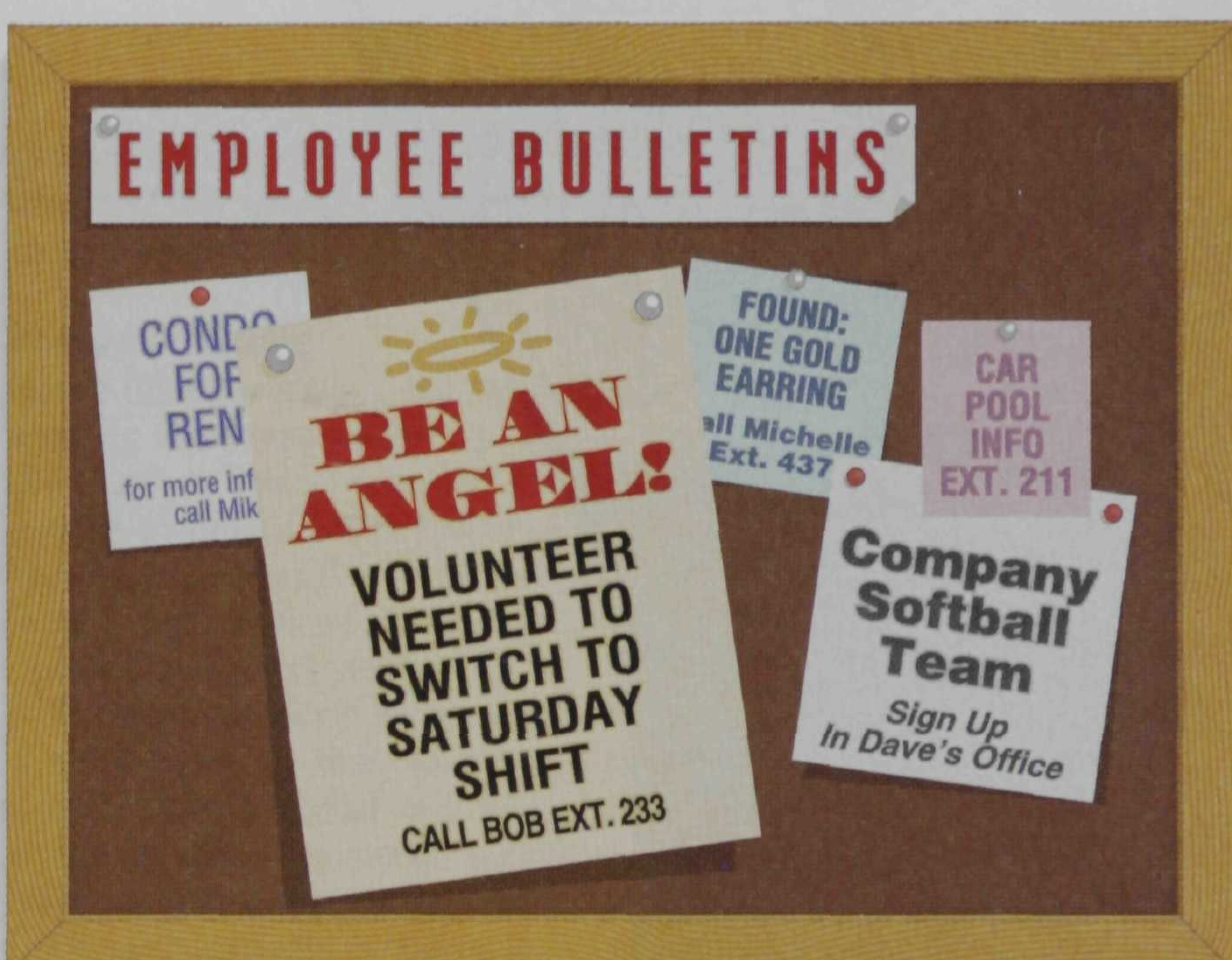


ILLUSTRATION: ©GEORGIA LEIGH MCDONALD

Accommodating *an employee's religious beliefs can sometimes be as easy as posting a bulletin-board request to switch shifts.*

Yet there is little guidance to help employers deal with this issue. The EEOC has issued general guidelines requiring employers to respond to their workers' religious practices with "reasonable accommodation" as long as it doesn't pose an "undue hardship" on the company.

Whether the employer considers the practice religious or not isn't the issue; granting accommodation is.

Beyond the broad EEOC guidelines, managers are on their own. So how are they to know if they have made an adequate good-faith effort at accommodation, or if their case is one of genuine hardship?

Legal experts concede those are tough questions. Steve Gerber, a labor and employment litigation specialist in Wayne, N.J., says: "Reasonable accommodation is still in a state of flux. There are no clear-cut laws on this issue."

Because of the variety of religious customs, accommodation is generally handled on a case-by-case basis. Overall, legal experts suggest that business owners and managers develop a mind-set that will help lessen the threat of litigation.

The first step, says Thomas Borak, an EEOC attorney in St. Louis, is to think before you automatically refuse a request. "When someone asks for time off to observe the Saturday or Sunday Sabbath, for example, managers often assume the individual is asking for special treatment. Instinctively, supervisors shy away from this because they think it's discriminatory."

In fact, Borak notes, just the opposite may be true. "Because the employee doesn't want to be perceived as not carrying their weight, they're usually willing to work extra hours, another day, or during a holiday they don't observe."

Sometimes it's as simple as posting a request to switch shifts on the company bulletin board, says Lee Boothby, a Washington, D.C., attorney specializing in church-and-state issues and in religious-discrimination cases. Such a basic action explicitly demonstrates the employer's good-faith effort at accommodation—and can help prove compliance with the law.

But managers must go one step further. Much as with the Americans with Disabilities Act, supervisors can't make employment contingent on factors outside the specific requirements of the job—in Kilgore's case, his ability to work on certain days. Don't even ask the question, advises Boothby. "It's improper to ask the applicant if he or she can work on Saturday. If, in the interview process, you meet with six or seven others and then the first applicant is denied employment, it could lead to legal problems later."

Often, a manager assumes that other employees will be resentful of the special treatment, notes Borak. "One way to test that assumption is to ask around," he says. "Just inquire how others would feel about having the employee take Saturday off. I've run across instances where an employer has taken adverse action against a request, only to find out afterward that people on the staff were willing to make accommodation out of respect for the employee and because they thought it was fair."

The best legal defense, says Caryl Stern-LaRosa, director of the Anti-Defamation League of B'nai B'rith's diversity-training program, called "A World Of

Janine S. Pouliot is a free-lance writer in Green Bay, Wis.

Difference," is to take action that proves a good-faith effort at accommodation.

Hiring a firm specializing in diversity training is one very visible demonstration of that effort. But make sure the consulting firm has sufficient experience in the area of religious diversity, notes Stern-LaRosa. Nonprofit organizations are often a good choice, she adds.

"Because of the time and cost factor, we recommend that businesses join together and offer training through a business association or professional organization," adds Stern-LaRosa. "In order for the program to be successful, everyone at the company needs to go through it. The entire company needs to buy in."

The second aspect of the EEOC guidelines—undue hardship—is also ambiguous. Myriad factors determine what constitutes hardship for a company, including the size of the work force, the type of work performed, and the skill levels of employees.

"One thing we've learned from the [disabilities law] is that other employees' perception is not the basis of [what determines] undue hardship," says Matthew Staver, president and general counsel of the Liberty Counsel, a religious civil-liberties defense group in Orlando, Fla.

> **The best legal defense against a religious-bias complaint is to take action that shows an effort to accommodate the employee.**
> —Caryl Stern-LaRosa, Anti-Defamation League Of B'nai B'rith

Staver offers an example of undue hardship: A delivery person who is asked to take items to an abortion clinic says he would find it religiously objectionable, so the employer would be obliged to assign another delivery person to the task. "But if the employer had only one delivery person, then that constitutes undue hardship," says Staver. "If they had another worker delivering in the same geographical area, they should redistribute the work. However, if they had to bring someone in from across town, that would be undue hardship."

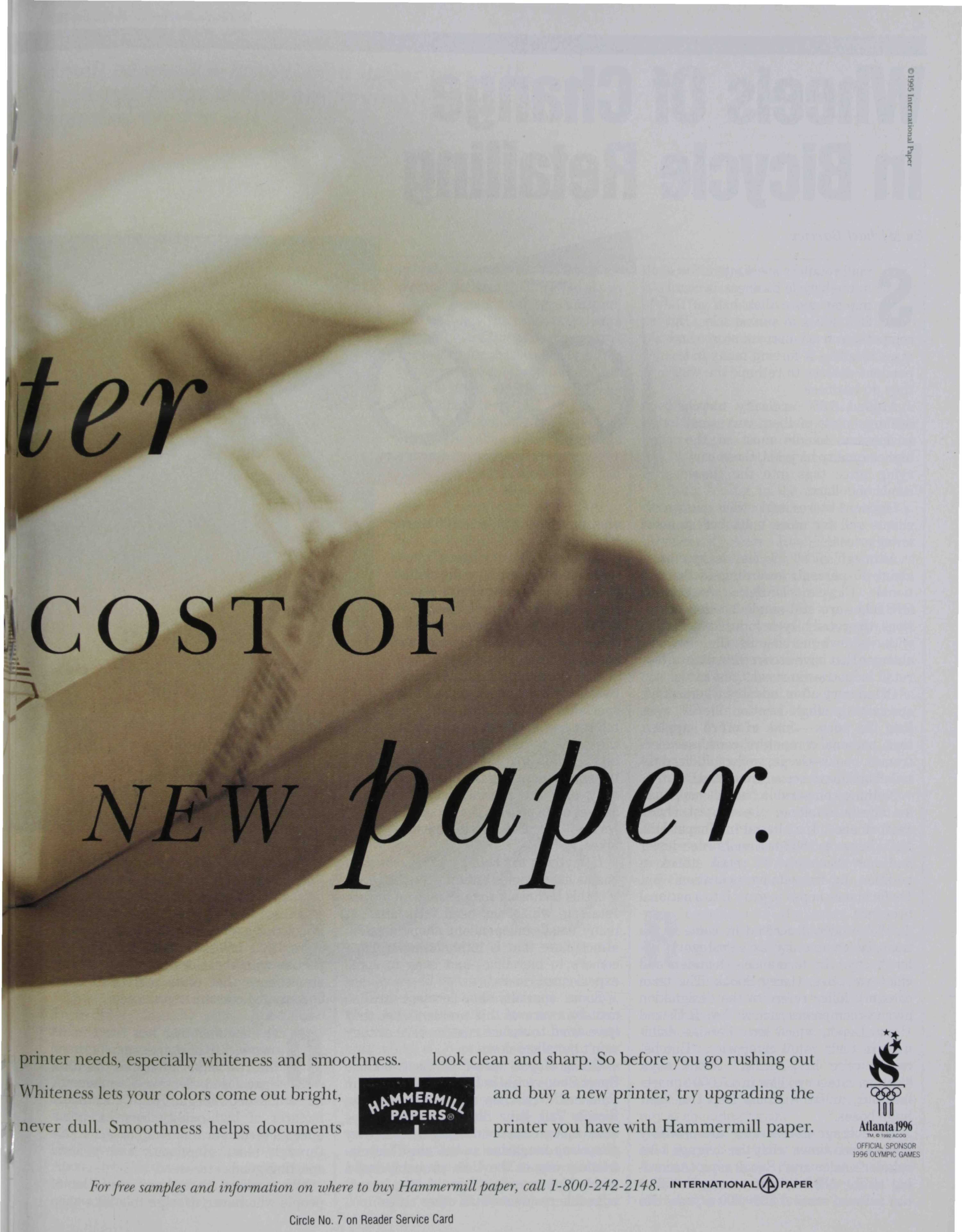
On the other hand, Staver says, "employees do not have any more right not to do their work because of religious [preaching] than do others because of gossiping. If it creates a disturbance, then it's harassment, and, in this case, employee reaction may be the basis for not accommodating."

In practical terms, however, employers can provide accommodation by offering space elsewhere in the company for employees to discuss religion or conduct a Bible study during their break time.

Religious dress shouldn't be the basis for determining undue hardship, either, EEOC attorney Borak points out. If employees are required to wear uniforms but a worker's religion dictates wearing robes, for example, accommodation could be made by designing a robe in the fabric of the uniform.

"Wearing a robe in the same colors as the uniform would make it immediately obvious to the public that the employee was one of the staff," says Borak. "The accommodation would not interfere with the performance of [the employee's] duties."

It seems likely that the issue of religious accommodation will grow in significance as workers become more vocal in their requests. Clearly, a new legal minefield is developing in the workplace, and employers should be prepared. NB



Circle No. 7 on Reader Service Card

Wheels Of Change In Bicycle Retailing

By Michael Barrier


PHOTO: SPECIALIZED BICYCLE COMPONENTS

Small retailers are a major force in the bicycle business, accounting for more than half of the $3.5 billion in annual sales. But competition from discount stores and mass retailers is forcing many independent dealers to rethink the way they do business.

Around 6,600 specialty bicycle dealers—most of them very small businesses—handle most of the higher-quality bicycles, those carrying price tags into the thousands of dollars.

Discount stores and other mass merchants sell far more units but at much lower prices.

Although most bicycle dealerships—about 85 percent, according to the National Bicycle Dealers Association (NBDA)—are still single-location operations, the retail bicycle industry is flirting with its own version of the dramatic changes that have occurred in many other retail industries in recent years.

In industry after industry where small, specialized, single-location stores were long the norm—think of office supplies, toys, personal computers, consumer electronics, books—large, well-capitalized retail chains have seized command.

Nothing comparable has yet happened in bicycle retailing; the largest chain, Performance, Inc., based in Chapel Hill, N.C., began in 1982 as a mail-order dealer and now has only 33 retail stores in addition to its catalog operation. But Performance hopes to grow into a national presence.

"We've been described by some of the financial community as a 'category killer,' " says Performance's founder and chief executive, Garry Snook. The term category killer refers to the designation given to companies such as Toys R Us and Home Depot, which have become dominant in their retail categories. "But because we're in a niche," Snook says, "we're a category killer in a 5,000-square-foot box, unlike a Home Depot in their huge boxes."

His average store's sales "are probably about three times what the average bike retailer's sales are," Snook says. (According to the NBDA, that average retailer has sales of around $360,000 a year.) He envisions having at least 200 stores eventually.

A chain like Performance, whose merchandising is generally similar to that of other successful chains, blurs what has been a sharp distinction between mass-merchant sellers of inexpensive bicycles and specialty bicycle retailers.

The most critical difference between the mass merchant and the specialty bicycle shop is not price but service—before the sale, when the small retailer assembles the bike, and after the sale, in repairing and maintaining the bike. Typically, only the specialty retailers are set up to provide the necessary service for the more-expensive bikes.

If anything has held back the growth of chains like Snook's until now, he believes, it is this technical, complex side of bicycle retailing, which has been translated, at many small, independent shops, into an atmosphere that is intimidating to newcomers to bicycling—and even to some experienced riders.

Some specialty-shop owners are so acutely aware of this problem that they have tried to assure customers that they won't be talked down to.

Creag Hayes, owner of the two Ciclo Sport Shops (ciclo is Italian for bicycle) in Portland, Ore., has advertised as "The Simple Talk Bike Shop," for instance—even though Portland, rated recently by *Bicycling* magazine as the most bicycle-friendly city in the U.S., probably has a much higher percentage of bike-knowledgeable residents than other cities.

Says Garry Snook: "Our industry historically has attracted a lot of aficionados of the sport, and not people who love business." What is happening now is that Snook and a few other people are opening stores that try to combine technical expertise with the more customer-friendly atmosphere that mass merchants have encouraged consumers to expect.

One manufacturer has tried in its own way to bridge the gap between the two kinds of stores. In 1995, Specialized Bicycle Components, an established Morgan Hill, Calif., manufacturer of high-quality bicycles, introduced a second brand, Full Force, for sale through mass merchants and general sporting-goods stores.

"We realized that there are a lot of people who never, ever go to a bike shop

Small businesses have been a major part of the industry. Large chains are forcing them to re-examine how and what to sell.

Road or racing bikes *(left and center photos), which fueled the bicycling boom of the '70s, remain popular in new versions, but mountain bikes (right photo) have commanded growing market share since the '80s.*

who are shopping in this alternative channel," says Christopher Murphy, director of marketing for Specialized. By creating a new line under a separate name, he says, Specialized has been able to reach that market without damaging its independent dealers.

Once a customer has bought a Full Force bike, Murphy says, Specialized tries to pull that person into the specialty shops. It has set up a Full Force service network composed of several hundred Specialized dealers that will service the Full Force bikes (an 800 number for the network is on the bikes).

Jim Bellas, president and co-founder of the Bicycle Exchange, Inc., a 17-year-old, Alexandria, Va.-based firm with 10 stores, doesn't buy the whole idea that specialty shops should cede the market for low-priced bikes to the mass merchants. He says that bicycle shops should be selling bikes as inexpensive as those the mass merchants offer—unless, he adds, they think it's better for a customer to buy a bicycle at a big retail store rather than at their shop. "It isn't," he maintains.

Bicycle Exchange's five newest stores are called Bikes USA—the old name confused some people, Bellas says—and are larger than the company's older stores; they use that extra space to carry many more bicycles. "When you walk into a typical Bicycle Exchange store," he says, "you'll see 100 to 150 bicycles. When you walk into a Bikes USA store, you'll see 500 bicycles."

With his larger stores, Bellas has room to offer a choice: Now his customers can buy a $100 bicycle if they wish or compare it with a more expensive bicycle and decide if spending the extra money would be worth it to them.

To make such a choice now, he says, bike buyers usually have to visit two stores—and often they don't bother to visit a bike shop as the second stop.

What Bellas is trying to do with Bikes USA—which he describes as "an experiment"—is give his specialty bike shops some mass-merchant sizzle but without compromising their character as specialty shops. In particular, he wants to maintain bike sales as the source of roughly half the stores' revenues. (By contrast, they account for only 15 to 20 percent of a Performance store's revenues, although Snook wants to raise that percentage. The balance comes from service and repairs and sales of clothing, accessories, and components.)

Tilting too far in the mass merchants' direction would be futile, Bellas suggests, because the kind of customers now buying bicycles at Sears Roebuck or Sports Authority stores don't "feel any more comfortable at a Performance store than they do in a pro golf shop."

"If you're dealing with a product that requires some set of knowledge," he continues, it's almost impossible not to feel a little intimidated in a store that specializes in such a product.

"People just hate to feel stupid," he says. "That's a real challenge for any retailer, to have both ends"—a high degree of knowledge of the product combined with approachability.

In other words, a dealer like Bellas could invest a lot of money in inexpensive bicycles and larger stores—and still see his targeted customers choose to buy from mass merchants whose salespeople probably don't know any more about bicycles than the customers do.

Regardless of the exact shape it takes, the future for bicycle retailing looks bright, even though total bicycle sales have held steady or even declined a little in the past few years.

"I think the industry has plateaued," says Joseph S. Montgomery, founder and CEO of Cannondale Corp., a Georgetown, Conn., company that is one of the leading manufacturers of high-performance bicycles. "But I think the growth is going to reignite," he adds, because "the technology is changing again."

Bike sales were strong in the 1970s, then sagged as riders wearied of speedy but uncomfortable racing bikes. Sales took off again in the 1980s with the introduction first of more-comfortable

ENTERPRISE

"mountain bikes," designed for off-road travel, and then "hybrid bikes," which incorporate some of the virtues of both racing bikes and mountain bikes.

And now, Montgomery says, "suspension technology is coming into its own," bringing with it the promise of a still-more-comfortable ride and better control of the bicycle at higher speeds, especially over rough terrain.

PHOTO: SPECIALIZED BICYCLE COMPONENTS

Versatile *mountain bikes offer greater comfort as well as off-the-road capability.*

For everyone involved in the bicycle industry—manufacturers and retailers alike—the future's greatest challenge may lie not in changes within the industry but in how hospitable society as a whole is to the bicycle rider.

Bicycle retailers should be "a lot more attentive to what goes on outside the front door of the shop," says Bill Wilkinson, executive director of the Bicycle Federation of America, in Washington, D.C. The nonprofit advocacy group's goal is "to make this country bicycle-friendly," Wilkinson says.

"The industry has a real vested interest in the decisions that are made in the public sector in regard to the accommodation of bicycles on the streets and in parks," he says. "If there aren't places to ride, I can chart very quickly the decline in demand for this product."

Jim Bellas puts it this way: "One good five-mile trail will have an enormous effect on ridership in a city."

This same notion of watching how society is accommodating—or otherwise reacting to—a product or service is no doubt good advice for business owners in all industries. NB

More And More, Made In The U.S.A.

If small retailers' future role in the bicycle industry is still unclear, the future role of another kind of small business—manufacturers who subcontract work from the leading bicycle makers—is coming rapidly into focus.

"There's much more opportunity to get manufacturing done in the U.S. than there was five or 10 years ago," says Scott Montgomery, vice president for marketing of Cannondale Corp., in Georgetown, Conn. "There are a lot of highly skilled, cost-effective subassemblers and spec manufacturers to do work for you," he says.

Specialized Bicycle Components of Morgan Hill, Calif., which started as an importer, now makes a growing percentage of its products, both bikes and accessories, in the United States, says the firm's marketing director, Christopher Murphy.

"Traditionally," Murphy notes, "the parts were all Japanese," even when the frames—the central element of a bicycle—were made in the U.S. "The derailleurs and drive trains are still Japanese. But hubs, brakes, stems, bars, rims—those things are all available here in the States."

Cannondale and Jenn Manufacturing Co. of Warminster, Pa., a 32-year-old, 50-employee firm with annual sales approaching $8 million, have been working together closely for more than two years. Jenn is accustomed to demanding customers; it has done a lot of work for major defense contractors, the computer industry, and manufacturers of medical equipment.

Jenn now manufactures "a lot of components" for Cannondale bicycles, says Don Rank, Jenn's vice president of operations. "It's not toward the high end of what we've done in the past," Rank says of the technical demands of the Cannondale work. "It's somewhere toward the middle."

But even though Cannondale hasn't imposed any severe requirements on Jenn insofar as precision is concerned, he says, it has imposed new demands for "creativity in the productivity end." Cost—not a prime consideration when Jenn was heavily into defense work—is very much on everyone's mind now that the company is making bicycle parts.

FINANCE

SBA-Backed Loans Just Got Costlier

Borrowers will pay higher fees as the agency copes with budget cuts, but larger loans are also possible now.

By J. Tol Broome Jr.

While the Small Business Administration is forecasting record demand this year for its popular loan-guarantee program, banks that participate will take on higher risks, and borrowers will pay higher fees.

The cost of doing business with the SBA went up after Congress slashed the agency's 1996 budget by 35 percent. Adjusting to the budget cuts while protecting the guaranteed-loan program resulted in the shifting of some costs to banks and borrowers. The changes took effect in October when President Clinton signed into law the Small Business Lending Enhancement Act of 1995.

Under the guaranteed-loan program, a bank extends a loan to a small business, and the SBA provides a guarantee of repayment for a percentage of the loan amount. The bank receives the added assurance of a government guarantee on the loan, and the small-business owner benefits from more-favorable terms.

Among the new law's provisions:

■ The up-front guarantee fee paid to the SBA by the bank (but typically passed on to the borrower) will remain at 2 percent for loans of $100,000 or less. On loans of more than $100,000, the guarantee fee will be computed on a sliding scale of 3 percent of the first $250,000, 3.5 percent of the next $250,000, and 3.875 percent of the remaining guarantee amount.

■ Guarantee fees for loans of $50,000 or less will no longer be split with the bank. Previously, the lender kept half of the 2 percent fee.

■ Banks will pay the SBA a new 0.5 percent annual fee on the amount of the outstanding balance of the guaranteed portion of the loan. While banks may not charge the fee directly to the borrower, they may boost the loan rate to offset the fee payment.

■ The percentage of a bank loan that the SBA guarantees to repay upon default has been lowered. For loans of $100,000 and under, the maximum guarantee dropped to 80 percent from 90 percent. For loans over $100,000, the SBA guarantee dropped to 75 percent. Before the revision, the maximum guarantee percentages were 90 percent for loans of $100,000 to $155,000; 85 percent for loans of $155,000 to $350,000; and 80 percent for loans of $350,000 and up.

The act also contained some good news for small-business borrowers. The guarantee cap of $400,000 that was imposed during the second half of fiscal 1995 has been removed. SBA guarantees can now be as high as $750,000, which could result in loans of $1 million or more. In addition, the moratorium on debt refinancing, also imposed during fiscal 1995, has been removed.

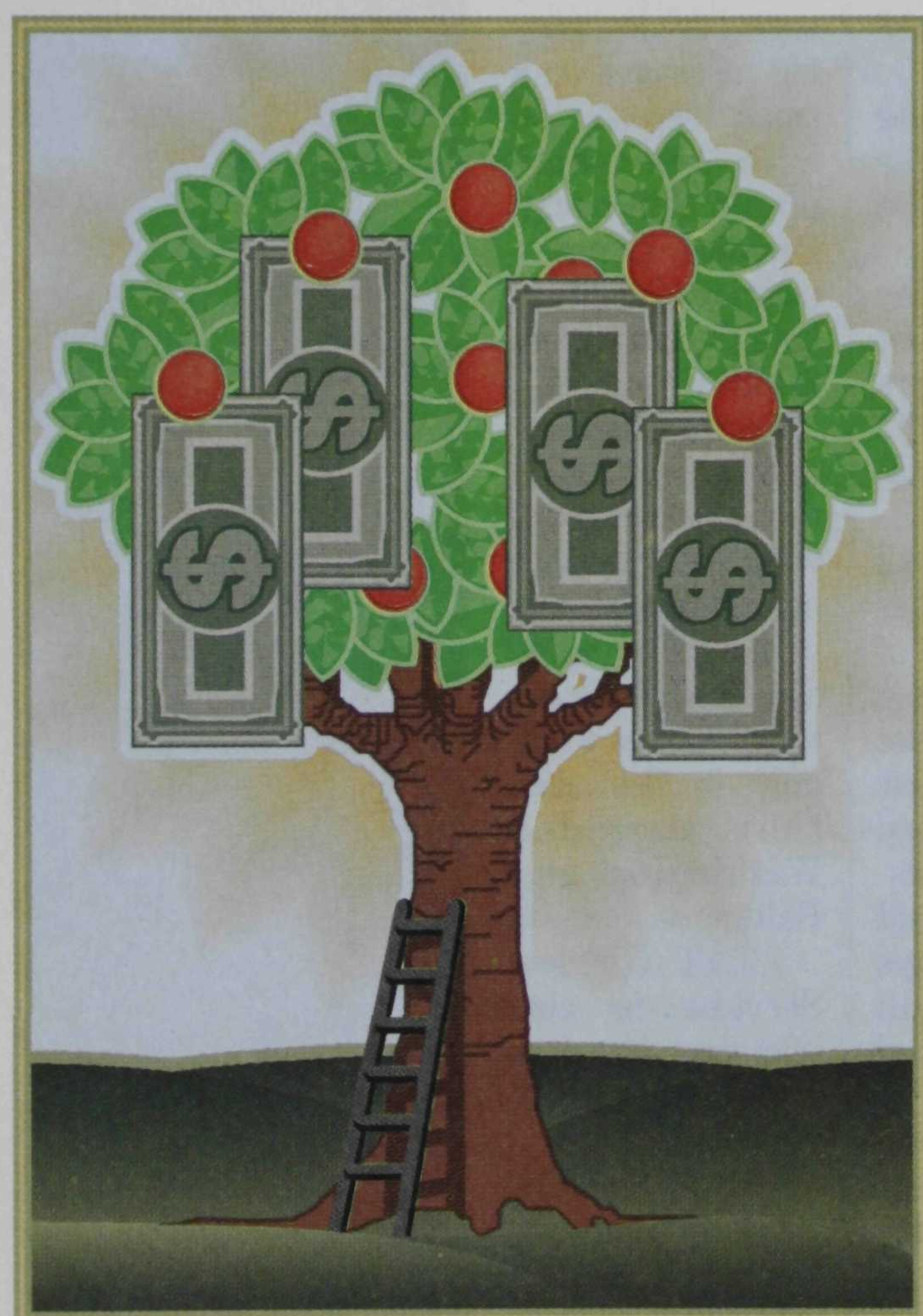


ILLUSTRATION: GEORGIA LEIGH MCDONALD

Another positive projection is the expected increase in loan volume. SBA Administrator Philip Lader says that, based in part on surveys of lenders, the SBA is forecasting $11 billion in loan guarantees for fiscal 1996, up from the fiscal 1995 total of $8.2 billion.

Says Lader: "While there will be some period of adjustment to the changes, all indications are that demand for SBA loans will continue to increase."

Lader says changes in the loan program were necessary to ensure the long-term viability of the SBA. "The act is a splendid example of the president and Congress achieving common ground in the interest of small business," he says. "There will be $100 million in annual savings to taxpayers as a result of this act.

"Banks and borrowers would certainly prefer not to have added costs," continues Lader. "But if we are to achieve a balanced budget, it is appropriate and necessary for the beneficiaries to bear the cost of programs."

Still, some bankers feel that the changes are too drastic. "Increasing the maximum loan size and removing the moratorium on refinancing are certainly positives," says Brent Priddy, vice president of BB&T bank in Greensboro, N.C. "On balance, however, the changes may make some banks less likely to do SBA deals. And with the higher guarantee fees, the program is now less attractive to borrowers."

Other lenders see the changes as reasonable. "The risk will be a little higher for banks," says John Prescott, vice president of lending for Napa National Bank in Napa, Calif. "But we have looked at the changes, and we are committed to the SBA program for the long haul."

Prescott says that Napa National may have to raise interest rates on some loans to compensate for the 0.5 percent annual fee to be paid by the bank. But Lader doesn't think higher interest rates and the increased fees for borrowers will keep them from seeking SBA-guaranteed loans.

"Every bank must certify that each SBA-guaranteed loan would not have been made without the guarantee," Lader says. "So, if the loan is not available elsewhere, the borrower should be willing to absorb the guarantee fee."

Genny Rakowitz, vice president and coordinator of SBA loans for Frost National Bank, in San Antonio, agrees. "I don't think a higher guarantee fee will be reason enough for [small firms] not to borrow the money." NB

J. Tol Broome Jr. is a loan administrator for FirstSouth Bank in Burlington, N.C.

TECHNOLOGY

From Wireless Phones To Mobile Offices

By Peter Weaver

Granite Gear, a Minnesota-based manufacturer of outdoor clothing and equipment, had a problem. The company had put its design studio in a remote wooded area suitable for testing new gear in rugged conditions. But the studio was so off the beaten path that phone service was unavailable, forcing design-team members to drive 15 miles to their Twin Harbors office to call suppliers and place orders.

No more. For the past year, Granite Gear's designers have been able to simply pick up a cellular phone and call from the backwoods.

Says Lisa Knight, vice president: "The purchase of one cellular phone made us a lot more productive because our designers could quickly find out if suppliers had the materials needed to go ahead with a product idea we were trying out."

Basic cellular-phone service may be all that many small companies need, but it is only the simplest of a wide array of wireless-communications options available to small firms. "Small businesses are fast becoming major users of new cellular communication technology, including laptop computer-modem links for data transmission and printers, fax capabilities, and built-in two-way message pagers," says Phillip Redman, an industry analyst with the Yankee Group, a consulting firm based in Boston.

According to a recent Yankee Group survey, small businesses now account for 22 percent of the cellular-phone market of 26 million subscribers—a share increase of one-fifth from a year and a half ago.

Costs Could Decline

While the cellular customer base balloons, competition from a new generation of wireless-communications companies is expected to drive down the cost of service. Until recently, federal law allowed only two cellular-phone companies to compete in a given region.

That began to change in December 1994 when the Federal Communications Commission started auctioning an unused part of the radio signal spectrum. This made way for a new generation of wireless "personal communications systems" (PCS) to compete with traditional cellular carriers, who rely on other parts of the radio spectrum.

On Nov. 15, the Washington-Baltimore area became the first in the nation to have PCS service, which allows customers to make calls, listen to voice-mail messages, or view paging messages on a small screen, all with the same phone. American Personal Communications Inc. markets the service as Sprint Spectrum.

Sprint Telecommunications plans to build a nationwide PCS system over the next two years. For now, the Sprint Spectrum phones work only in the area that includes Washington and Baltimore.

AT&T Wireless Services is also planning its own nationwide PCS network.

PHOTO: ©JACK RENDULICH

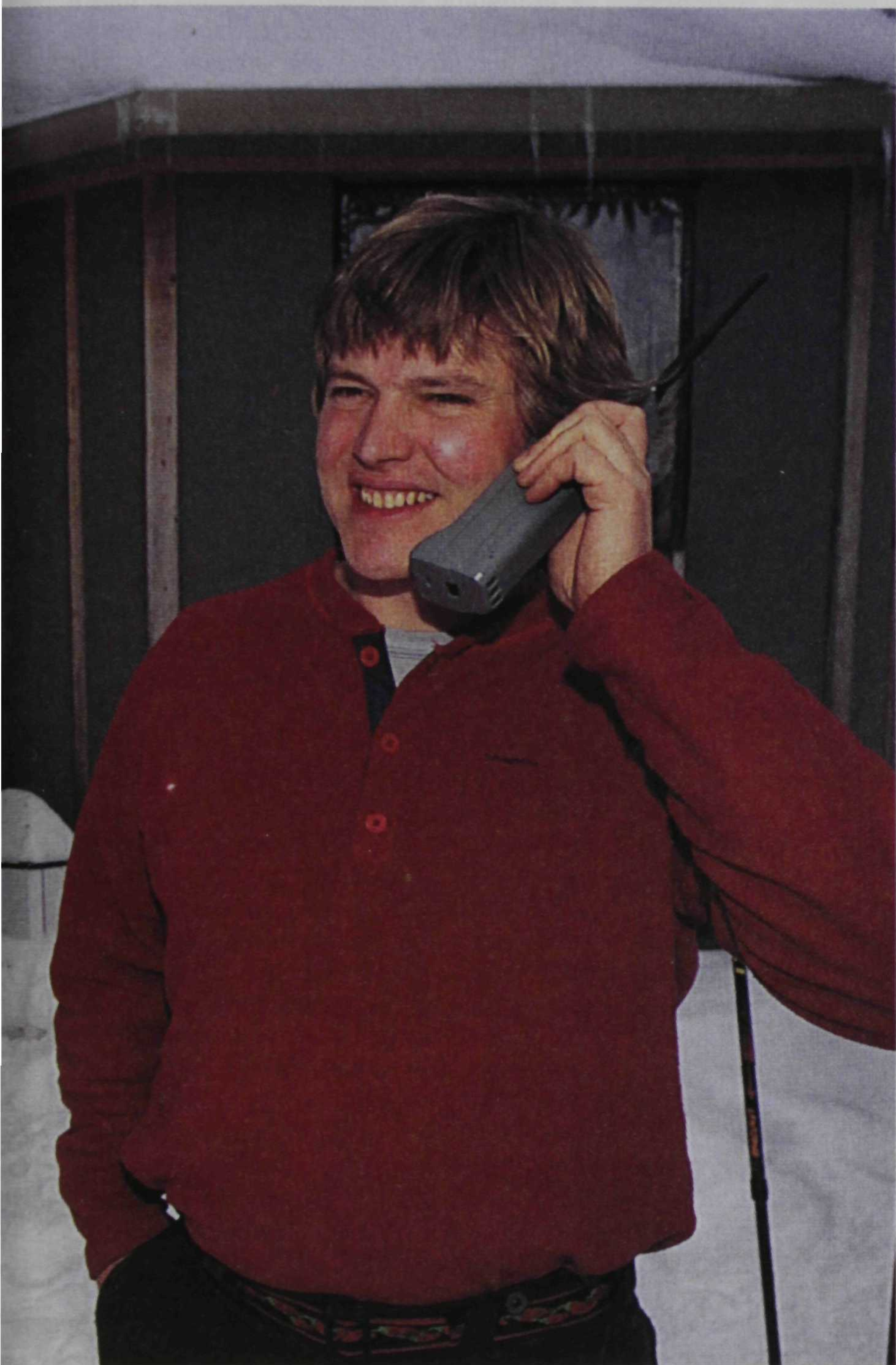
"Until recently, we've had only two competing cellular companies in each service area," says Josh Kiem, senior marketing manager for Motorola Cellular Telephones. "And now, with the Federal Communications Commission opening the competition floodgates, there are going to be a lot more." Kiem predicts that in the near future, there may be several wireless companies operating in any given service area.

With all the new competition, the burgeoning small-business market could enjoy frequent rate wars similar to those that the airline industry engaged in as competition increased. "The wireless companies," Kiem says, "will have a lot of air time to fill with aggressive marketing, and they're going to take care of their frequent-caller business customers the same way the airlines are taking care of their frequent business fliers." BellSouth, for example, has already reduced the charge for a typical two-minute cellular roaming call to $1.30 from $4.98, while U.S. West has greatly expanded many of its home-rate zones so its customers won't be hit with roaming charges at all.

Pluses For Small Firms

With advances in wireless-communications equipment being rolled out almost monthly, and with costs for calls expected to continue

Small businesses, a big part of the market for cellular communications, now have more options and can look forward to lower costs for service.



The backwoods *design studio of outdoor-equipment maker Granite Gear came in from the cold with a cellular phone; now Jeff Knight, the firm's president, can keep in touch with suppliers.*

dropping, small businesses will have an opportunity to use the wireless-communications revolution to great advantage. They will find it possible to broaden sales and service areas without adding office and personnel costs.

Some leading-edge companies have already figured out how to put wireless technology to good use. Ray Jassin, president of Law Library Management, Inc., based on Long Island, N.Y., spends around $600 a month on costs for three cellular phones and three pagers. He uses low-cost pagers for routine call-backs to cut down on relatively expensive cellular air-time charges.

"I provide law librarians for small law firms and corporate legal departments," Jassin says, "and the portable phones and pagers allow us to serve an area that stretches from Long Island to New York City and northern New Jersey."

Jassin's separate cell phones and pagers meet his requirements just fine right now, but some other companies are finding that they need to step up to more-sophisticated wireless-communications applications to meet their needs. "We're using U.S. West's MegaPhone service, which combines voice with a print-messaging pager system all in the handset," says Dale Denny, president of Denver-based Network Computer, Inc., a computer-maintenance company.

The Cellular Edge

With the old pagers, Denny felt that his technicians wasted time trying to find a telephone to answer a page. With the new equipment, he says, a technician can save around $2^1/_2$ hours a month because each has instant cell-phone access for call-backs.

In addition, Denny says, he is able to expand his business without hiring new service employees.

"The new handset allows us to communicate better and cut down on air-time costs by leaving a voice-mail message, a coded written message, or a printed call-back number," he notes. "Cryptic messages on the phone/pager handset screen identify the customer, the problem, and its urgency."

Says Motorola's Kiem: "Little companies can get an immediate impact from going cellular because any small edge they can get over their competitors will immediately make money for them."

That is what happened at Buena Park Lumber and Hardware Co., in Buena Park, Calif. "One of our salesmen beat the competition and got a $15,000 order because he was able to close the contract at the building site," says Michael Warrington, Buena Park Lumber's information-systems manager.

The salesman used a cellular phone connected to a laptop computer with a fax and a printer, all packed into a briefcase. He used the cell phone to transmit the prospective customer's lumber and hardware specifications into the company computer's inventory and pricing program. Within minutes, the wireless printer produced a detailed estimate that, when signed, became a contract and an invoice.

"To get our business," Warrington says, "Air Touch [a local cellular-service provider] helped design the system we needed and provided special modems for two-way data transmission."

Warrington advises that companies interested in this kind of service get in touch with the cellular carrier's office serving business customers.

Buena Park Lumber paid $4,000 for its

PHOTO: ©TOM ROSTER—BLACK STAR

A customized van *functions as a mobile office complete with all the amenities for Joe Harris, a real-estate agent in North Jackson, Miss.*

specially designed equipment package, including the cellular phone, laptop with modem and printer, and various other accessories.

The company also paid $200 for a mainframe-computer modem necessary for receiving data from the cellular phone.

In Touch On The Road

Moving even further up the cellular ladder, real-estate agents, sales representatives, and independent insurance agents and adjusters are loading entire offices into specially modified and equipped vans.

Joe Harris, a real-estate agent with ReMax of North Jackson, Miss., wanted to do business on site with his clients—sellers and buyers—so they wouldn't have to waste time coming into the office.

MCTA, a BellSouth cellular provider, put Harris in touch with a company—Mobile Office Vehicle Inc., based in Zeeland, Mich.—that turns vans into offices on wheels. Harris now has a van outfitted with a desk, chairs, files, a cellular phone, a laptop computer with modem, a printer, a fax machine, and a cordless extension phone.

"When I'm on a property-listing appointment, the mobile office shows them I have an edge in selling their home," Harris says. And when he is working with buyers, he says, he "can get quick listing printouts and can fax contracts to the home office or another agent."

Mobile Office Vehicle Inc., which modified and outfitted the van Harris uses, "just started up last year, and business is expanding rapidly," says Dayna Beal, the company's vice president for operations. A completely equipped mobile-office van, Beal says, costs $30,000 to $35,000.

To accommodate the surge in demand for more-sophisticated communication linkups, equipment manufacturers and cellular carriers are coming up with all sorts of tailor-made applications and prices to fit specific business needs.

"We have an integrated package for small businesses," says AT&T's Dan Schulman, vice president for small-business marketing. "Before," Schulman explains, "you had to go to one place to get your phone, another place to get your cellular service, another place for long distance, and yet another for your paging service."

Now, Schulman says, AT&T can provide any or all of these services under one national brand name and one bill, with package discounts.

MCI is jumping into the ring with a one-stop long-distance cellular and paging service through air-time arrangements with regional carriers and its own Nationwide Cellular Service centers.

Sprint Telecommunications will be able to make similar offerings to its customers once its nationwide PCS wireless-communications network is completed.

When Less Is More

Aside from packing a whole office into a van or cramming a desktop workstation into a briefcase, the cellular carriers and equipment manufacturers are coming up with minicomputers that have built-in phone and data-transmission capabilities. (See "Managing While You're Mobile," October 1995.)

BellSouth has a cellular information organizer with a sophisticated paging service, a fax machine, e-mail, a pen-operated computer notepad, an appointment calendar, and an address file. The device has a tiny monitor, a number keypad, and a series of icons for accessing the various programs. Called Simon, the device measures 8 by $2^1/_2$ by $1^1/_2$ inches and costs about $600.

GTE Mobilnet has an equally small handset called TeleGo. When you're in your office or at home, it works like a cordless phone connected to local phone lines through a stationary transmitter/receiver. When you're in your car or another outside location, however, it automatically goes cellular. You get one number that goes wherever you go.

Other carriers are offering a different kind of one-number service that can also follow you around electronically by routing calls to your office, home, cellular phone, or other location. If there's no response, the call goes to your voice mailbox. Meanwhile, your cellular phone will have a message on the screen indicating someone called. You can listen as the caller leaves a message and decide whether to take the call.

BellSouth's pioneering one-number service is called ProLink and costs $19.95 a month, the same amount charged by U.S. West and Air Touch for a similar service. AT&T's one-number service is called 1-500-PLUS and costs $7 a month, plus 25 cents a minute for air time.

Time To Plan

These one-number services—combined with an array of increasingly affordable communications equipment to plug into highly mobile cellular offices—will open the way for small-business owners to become more active and more competitive away from their home bases.

"If you haven't already done so," says Read Ziegler, director of small-business marketing for MCI, "you should start making a cellular-communications plan to determine how you can turn your company's phones into revenue generators instead of just an end-of-the-month expense item." NB

High-Tech Help? It's Your Call

Small firms should weigh numerous factors when deciding whether to hire a full-time computer expert or use outside consultants.

By Christopher Robert Barton

At the end of 1992, the first year of operation for B&S Diversified Inc., the firm consisted of only four office workers and two field-based electricians. Sales at the Orlando, Fla., construction-contracting company totaled just $800,000. The last thing on the minds of owners Tanya Sims and Rose Maybin that year was hiring a full-time technology professional.

Just three years later, B&S Diversified is a $5 million company with 12 employees in the main office and 46 electricians in the field. Yet even though the corporate office has only six personal computers, Sims and Maybin plan to hire a technology pro.

"It's always been a priority to improve our computer system, but we have grown so fast it has been hard [for us] to find the time," Sims explains. Implementing technology improvements would be the full-time job of their technology employee.

Two vital departments in the company—estimating and purchasing—have only one PC each, but both soon will get additional computers for servicing current and new accounts, Maybin says. The computers will provide only a short-term solution, however, for the firm's information-access problems, she says. For the long term, the company needs to establish a server-based computer network—a job for a technology staffer. Both Sims and Maybin are well aware that network engineering and management are not tasks that can be entrusted to computer amateurs.

B&S moved in June to a larger building, and Sims and Maybin had cable installed for high-speed data communications. Initially, a consultant will use the cable to connect personal computers used by the firm's controller and three project managers. Later, the full-time technology staffer will expand the network to the rest of the firm's PCs and printers.

PHOTO: ©BEN VAN HOOK

Rapid growth *at B&S Diversified, an Orlando, Fla., contracting firm, has shown owners Rose Maybin, left, and Tanya Sims that they need to hire a full-time technology expert for their expanding computer system.*

Christopher Robert Barton is a free-lance writer in Alexandria, Va.

Reasons To Make The Move

Why hire a computer guru rather than turn to outside experts such as consultants as needed? For the owners of B&S, the source of the answer was part arithmetic, part entrepreneurial optimism, and part business experience. Says Maybin: "When you go from four to 58 employees in three years, that's rapid growth. At that rate, we could have 150 employees and 27 computers in another year or two. Logic tells you that you can't outsource forever, and we'll need to hire someone."

Moreover, says Sims, she and her partner have found that doing specialty work in-house—rather than employing subcontractors—generally saves money and improves quality.

Reasons To Hesitate

Although the decision to employ a full-time information-systems specialist was clear-cut at B&S, it can be an agonizing choice at many small companies. That's because small-business owners—many of whom are technology novices—often justifiably fear that a computer specialist would merely sit around with little to do until the company computer system crashed or until hardware or software needed upgrading every two years or so, says technology adviser Phil Anderson.

A professor of strategic management of technology at Dartmouth College's Tuck School of Business, in Hanover, N.H., Anderson generally recommends that firms outsource computer work to eliminate the risk of having to pay an occasionally idle technology employee.

However, deciding whether to hire an expert or rely on outsiders for technology support has to be based on factors specific to the individual company, according to experts such as Joseph Elmer, a software developer in Lynchburg, Va.

Complexity And Importance

Elmer, who also is president of the 400-member microcomputing special-interest group of the Information Technology Association of America, a 6,000-member trade group based in Arlington, Va., says two factors in the decision making are the complexity of your computer setup and the importance of computerized data to the day-to-day operation of your business.

Suppose, for example, that your company accepts orders and receives credit-card payments by telephone; if your computer crashes, he says, even a one-hour wait for a consultant to arrive "and bring the system back up is a lot of lost revenue."

Or if you have decided it's time to

integrate computer operations—connecting the accounting and inventory-control systems, for example—it's probably time to consider hiring a full-time employee to handle complex operations, Elmer says.

The Extra Benefits

Keep in mind, also, that there can be intangible benefits to having your own technology professional on board, says Christopher Young, a partner in the management advisory services group of Deloitte & Touche LLP, an accounting and business consulting firm based in Washington, D.C. For example, he says, a full-time technology expert "could save thousands in training costs for new employees . . . and pinpoint specific new technology uses for your business that could save or make you untold amounts of money."

The cost of bringing such an expert on board would probably exceed $40,000 a year, says Rich Schinnell, a computer consultant and president of the Capital PC-User Group, in Rockville, Md. He says a small firm should not hire a recent college graduate at a low salary and then expect to be able to replace all the firm's outside technology contractors. "If you hire someone too cheap, they won't have the capability of working alone," Schinnell says.

Sims of B&S Diversified says she understands that hiring a technology person is "a major investment, so we don't plan to pay a small salary." She adds that the firm is willing to take as long as a year to select a candidate. "We have to make a wise final decision, because you're talking about a big move for us," Sims says. In the interim, Roselind Weinstein, the company controller, will retain her unofficial position as computer specialist.

The Outsourcing Option

Tuck business school's Anderson says that hiring a technology staffer isn't the right decision for every small or midsize company. In fact, he says outsourcing is generally the most cost-effective way to design and administer business computer systems. Most firms "can meet all their needs"—including hardware upgrades, periodic software-procurement advice, and maintenance—by using consultants, he says.

First, Anderson says that shifting from spending up to $40,000 annually on technology consultants to employing a $40,000-a-year, full-time computer whiz probably won't solve all of a business's technology problems. For example, he says, many consultants will accept a service contract stipulating that your computers will be up and running within one hour of a crash. By contrast, your full-time employee could be at lunch or out sick or on vacation when your system crashes. Moreover, he says, it doesn't make sense to hire a high-tech expert to simply work on dubious projects until your network locks up.

That also is the reasoning of Larry Mercer, co-owner of Ram Graphics, in Alexandria, Ind. "To me, it doesn't make a lot of sense to hire someone for their expertise and then find stuff for them to do such as clerical or data entry," he says. His 75-employee firm sells made-to-order silk-screen T-shirts through the mail. The company's PCs have been networked for 12 years, and the firm has 12 Macintosh computers—used by its graphic artists—linked by a network called MacTops.

Instead of hiring a full-time technology staffer, Mercer has contracted with a local firm for system upgrades and maintenance. The contract, which costs $18,000 to $25,000 a year, stipulates a half-day time frame for fixing computers and remedying network breakdowns.

Although most of Ram Graphics' business comes through telephone orders—requiring that operators enter data into the computer network—Mercer says that "we have always found ways to get around [computer breakdowns] by taking orders the old-fashioned way. We've never had to tell a customer we can't process their order because our computer is down."

The Bottom Line

Neither B&S Diversified's nor Ram Graphics' approach to meeting technology needs is necessarily correct for other companies, says Young of Deloitte & Touche. "Technology is becoming such a pervasive part of doing business," he says, that "you really need to rely on people who not only can install the technology but can understand how to effectively and efficiently use it in your business."

Whether you decide on consultants or full-time employees, he says, be certain that you "take the time to select people who fit your needs." NB

To order a reprint of this story, see Page 61. For a fax copy, see Page 37.

TO HIRE, OR NOT TO HIRE . . .

If you answer yes to seven or more of the following 10 questions, you should strongly consider adding a full-time technology professional to your staff, according to Harvey Shrednick, a professor of management at Arizona State University and president of the Society for Information Management, in Chicago.

1. Is information technology of strategic importance to my business?
☐ YES ☐ NO

2. Is a large portion of my company's budget spent on computer-related products and services?
☐ YES ☐ NO

3. Am I planning to make a major investment in computer hardware or software or in telecommunications products or services in the near future?
☐ YES ☐ NO

4. Do my principal competitors have information-systems professionals on staff?
☐ YES ☐ NO

5. Am I willing to play an advocacy role among my partners and associates for adopting technology in my business?
☐ YES ☐ NO

6. Can I see value in having an information professional on my executive team?
☐ YES ☐ NO

7. Are key members of the company enthusiastic about involving an information professional in my firm's long-term business strategy?
☐ YES ☐ NO

8. Can I see a competitive advantage in developing a computer network to integrate my organization's major processes, such as sales management, manufacturing, and finance?
☐ YES ☐ NO

9. Am I willing to take a calculated risk with new technology?
☐ YES ☐ NO

10. Am I willing to take a long-term view of the value of developing a strong information-systems department?
☐ YES ☐ NO

BENEFITS

Benefit Costs Shift Into Reverse

Average spending on employee benefits declined slightly in 1994 after years of spiraling upward.

By Roger Thompson

Lower medical costs made it possible for employers to spend less on workers' benefits in 1994, the first such decline since the U.S. Chamber of Commerce began surveying employers about benefits nearly 50 years ago.

The Chamber's latest study found the average cost of all benefits for a full-time employee slipped to $14,678 in 1994, down $129 from the year before, when spending on benefits hit an all-time high. The total figure includes Social Security, pensions, holidays, and vacations.

Benefit payments as a percentage of payroll declined to 40.7 percent from a high of 41.3 percent in 1993.

The study, *Employee Benefits 1995 Edition*, surveyed 929 employers nationwide. The first such survey was conducted in 1947. The 1995 report cites two major reasons for the reversal in the upward spiral of benefit expenditures:

■ Employers used more overtime in 1994 rather than hiring new employees, saving on benefit costs. "Overtime has reached a record high," says Martin Lefkowitz, author of the study and director of special projects at the U.S. Chamber. Health insurance and other benefits are tied to the number of workers, not the hours worked.

Benefit Costs Per Employee, 1994

Employer's Average Outlay, By Industry

	Total	Medical Insurance*
Transportation equipment	$24,570	$4,253
Public utilities	22,605	3,709
Petroleum	19,334	2,810
Electrical machinery, equipment, and supplies	18,338	4,020
Machinery (excluding electrical)	17,237	3,399
Chemicals and allied products	17,163	3,422
Rubber, leather, and plastics	16,045	2,249
Instruments and miscellaneous manufacturing	15,833	2,455
Insurance	15,101	2,342
Printing and publishing	13,467	2,213
Fabricated metal products	13,139	2,844
Food, beverages, and tobacco	12,810	2,344
Stone, clay, and glass products	12,584	2,561
Pulp, paper, lumber, and furniture	12,423	2,607
Hospitals	12,085	2,477
Miscellaneous nonmanufacturing	11,931	2,479
Primary metals	11,763	1,174
Banks, finance companies, and trust companies	10,436	1,636
Trade (wholesale and retail)	9,469	2,034
Department stores	8,792	1,001
Textile products and apparel	7,198	1,672
Average For All Industries	**$14,678**	**$2,579**

*Employer's Share Only

SOURCE: U.S. CHAMBER OF COMMERCE

ILLUSTRATION: ALBERTO PACHECO

■ More important, employers broke the pattern of rising health-insurance costs by relying more heavily on managed-care organizations and by shifting more costs to employees. Average health-insurance premiums paid by employers declined in 1994 to $2,579, down $272 from the 1993 figure.

Rapidly rising health-insurance costs have forced employers in recent years to implement a variety of cost-containment measures. Some affect plan design; others shift costs to employees.

Nearly two-thirds of the companies surveyed now offer health maintenance organizations (HMOs), which provide service for a fixed annual fee. And 57 percent offer preferred provider organizations (PPOs), which negotiate discounted fees with doctors and hospitals.

The study also found that 47 percent of those surveyed had increased or instituted health-insurance deductibles during 1993 and 1994. Employees pay deductibles out of pocket before the insurance kicks in. Over the same period, 41 percent had increased the amount of premium paid by employees.

Spending for all medically related benefits also decreased in 1994, to $3,754, down $241 from the year before. Medically related costs include active and retiree health-insurance premiums; long-term and short-term disability benefits; dental, vision, and wellness benefits; and other health-related spending.

Among the four regions used in the survey, the West registered the highest spending on medically related benefits at $4,991 per employee. The Northeast ranked second with $4,318, followed by the Southeast at $3,393 and the East North Central (Illinois, Indiana, Michigan, Ohio, and Wisconsin) at $3,029.

Since 1990, medically related benefit costs have climbed 50 percent in the West, compared with only 11 percent in the East North Central.

Other highlights of the study:

■ Manufacturing firms paid significantly more in benefits than nonmanufacturing firms. (See the accompanying chart.)

■ Fifty-six percent of the companies said they made contributions for their employees to 401(k) savings plans in 1994, up from 39 percent in 1987. Seventy-five percent said they offer a 401(k) plan, meaning that a number of employers that provide the plans do not make contributions.

■ Thirty-six percent reported contributing to traditional pension plans, down from 48 percent in 1987. But 67 percent reported having traditional defined-benefit plans in place, indicating that almost half have sufficient funds in their plans not to need to contribute. NB

How To Order

Copies of *Employee Benefits 1995 Edition* are available for $29. To order, call 1-800-638-1450 between 9:30 a.m. and 4:30 p.m. Eastern time. In Maryland, call 1-800-352-1450.

Also available through the same numbers is the Employee Benefits Analyzer, a $95 software program that lets companies compare their benefits with those of others in the same industry, region, and size category. The program comes in IBM-compatible disks only.

The survey publication and software can be purchased together for $115.

Family Business

An important tool for communication and information; coping when tragedy strikes.

PHOTO: T. MICHAEL KEZA

OBSERVATIONS

A New Presence On The Internet

By Sharon Nelton

It had to happen. Family business is rapidly making its way onto the Internet.

The largest presence belongs to the NetMarquee Family Business NetCenter, which went on line in June with information on management for family firms from universities and other sources.

You can explore articles on topics ranging from asset protection to women in family business—not quite from A to Z, but almost.

You'll also find a calendar of family-business events nationwide and a section on trends and developments. Soon to come is an interactive forum for family-business owners.

In addition, NetMarquee offers a wide variety of information for executives and entrepreneurs. You can find it on the Internet's World Wide Web at *http://nmq.com.*

Enabling family-business owners to communicate with one another and with experts "makes the Internet a real important tool for them," says David E. Gumpert, NetMarquee's president. "It's something that's not as easy to provide through other media."

NetMarquee is the creation of NetMarquee Online Services Inc., of Needham, Mass., a company co-founded by Gumpert, who was once the small-business editor of *The Harvard Business Review,* and Paul R. Baudisch, formerly an independent marketing consultant.

The company has established itself in the family-business field by helping other institutions and organizations establish Web sites. One of the best-designed and most-organized is that of the Family Firm Institute (*http://ffi.org*), an organization of professionals who serve family firms. Here you'll find a listing of family-business consultants and—of exceptional interest if you're hiring such a consultant—FFI's model code of ethical and professional guidelines.

FFI also lists education programs and other family-business organizations. Especially fun is its feature "A Conversation On . . .," which offers interviews with professionals in the family-business field on a variety of topics.

Here are some other Web sites of interest, some of them designed by NetMarquee and others established independently:

■ **Oregon State University's Austin Family Business Program** *(http://www.bus.orst.edu/fam—bus/afbphome.htm).* Oregon State offers articles, references, and opportunities for dialogue.

■ **Hale & Dorr** *(http://www.haledorr.com/family—directory.html).* This Boston-based law firm provides articles on family business from a legal point of view.

■ **Mass Mutual Life Insurance Co.** *(http://www.massmutual.com/familt2.html)* provides an overview of its latest family-business survey and plans to offer other information.

■ **Northeastern University's Center for Family Business** *(http://nmq.com/necfb)* and **Baylor University's Institute for Family Business** *(http://nmq.com/baylor)* offer articles and other information.

■ **Attorneys for Family-Held Enterprises** *(http://nmq.com/afhe),* one of the newest sites, provides articles on law and plans other offerings.

Keep in mind that some of these sites are still in the developmental stages. They may have a limited number of features, or their design or organization may still need some fine-tuning—some are hard on the eyes.

But enter this brave new world with a sense of humor—like the folks at OSU. For one offering, a preview of a case-study feature expected to be up and running early this year, they show a laborer with a shovel and post this warning: "This page is still under heavy construction!"

MARK YOUR CALENDAR

Feb. 22, Midland, Texas

"Developing a Sturdy Family Business Structure" is a program sponsored by the Baylor University Institute for Family Business. To be repeated Feb. 29 in San Antonio. Call Susan Meacham at (817) 755-2265.

Feb. 26-27, New York City

"Trust and Estate Planning for High-Net-Worth Individuals" is a conference for professionals, high-net-worth individuals and their families, and family office managers. For more information, call the Institute for International Research at 1-800-999-3123 or, in New York state, (212) 661-8740.

March 12, South Hadley, Mass.

"Perpetuating the Family Business—The Ultimate Management Challenge" is a seminar featuring *Nation's Business* columnist John L. Ward. Call the University of Massachusetts Family Business Center at (413) 545-1537.

March 17-19, New York City

"The Cornell University Conference on the Entrepreneurial Family—Building Bridges" is aimed at building nationwide academic interest in the study of families in business. Family-business owners and managers as well as educators and family-business professionals are invited. For more information, call Ramona K.Z. Heck at (607) 255-2591.

March 20, Washington, D.C.

"Taking Care of Nuts and Bolts" is a morning workshop that addresses some of the details of ensuring the long-term success and survival of a family business. Call the Center for Family Enterprise at George Washington University at (202) 994-9150.

How To Get Listed

This list of family-business events features national and regional programs that are open to the public. Send your item three months in advance to Family Business, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062-2000.*

Case Study: Getting Beyond A Tragedy

With five upscale restaurants, MacKenzie "Mac" Goodman, 47, had a reputation as an extremely successful entrepreneur. When Mac spoke, most people listened.

But six months ago, Mac was almost silenced. He and his son, David, 23, were biking along a country road when both were hit by a speeding truck. David had multiple bruises, but Mac was almost crushed.

After six months of constant therapy, Mac has improved, but the accident has left him a paraplegic. His wife, Mary, 46, has not been able to cope with the situation and can't bear to see Mac in this condition. In 25 years of marriage, she has known him only as a handsome, hard-charging, yet very loving husband. She has never been so severely tested, and she's not sure she has the strength to face life with Mac now. Mac has made progress in learning to deal with his limited capacities. Yet he's aware of the tremendous conflict that Mary is feeling and has told her to leave if she chooses.

Mac wants to stay in business, maintain control of his company, and have David assume the role of president. "I can help David with strategic decisions, and he can help me," says Mac. "What other 23-year-old is given this kind of opportunity?"

David, however, has never had a desire to work in his father's company. Music is his passion. "I don't want to hurt Dad, but I want my own chance to make it," says David. "Dad sees this as an opportunity. I see it as a burden."

David wants to know how he can help his father without actually joining the company, but he doesn't want to be seen as disloyal for pursuing his dream. Mac wants to know how he can stay in the business. Mary, meanwhile, is undecided about her future. Each wants to know: "What do we do now?"

ILLUSTRATION: TROY THOMAS

Response 1

Crises Present Opportunities

The Goodmans need to know they are responding in ways that are not at all unusual after a crisis. Guilt, anger, extremes of optimism and pessimism, and confusion are all normal reactions. For this family to get back on track, feelings and conflicts must be frankly discussed. Mac and Mary should use this time to talk about their relationship and what they need to do, whether they stay together or part. My guess is that Mary will find the courage to stay, but she and Mac need to explore ways to create a new relationship, with both intimate and independent times.

David should make clear his need to pursue his dreams. Mac should encourage David to follow his star and help free him from "survivor guilt." At the same time, Mac should keep the door open. David may be back!

Mac apparently had built a strong management team, one that has so far kept the company going without him. Now, as he plans for the future of the business and the possibility of his own return, he may wish to formalize the role that team has been playing. He also needs a complete understanding of his medical condition. Paraplegics can lead full lives. Mac and Mary should consider what role she would want, if any, in the company and also plan a smooth transition for his return, with adjustments for his disability.

Crises present opportunities. Now is the perfect time for each of the Goodmans to map out their future. They will want to ask themselves what they have learned in the past six months about their strengths and what areas to work on.

PHOTO: [illegible]

Jane Hilburt-Davis, co-founder of Key Resources, a Boston-area consulting firm specializing in family businesses and closely held companies.

Response 2

Joining A Firm Must Be Voluntary

The difficulty in this particular succession transition is amplified by all the emotions surrounding Mac's disability. The Goodmans' experience is also a sad reminder of how important it is to begin succession planning as early as possible.

I would advise Mac, Mary, and David to meet and discuss what is important to each of them. In this case, one of the major issues is a classic clash of perceptions of reality. Mac sees his proposition as an opportunity for David, while David believes it to be a burden.

In my view, David should pursue his dream and not join the business. Participation in a family business must be voluntary, not an obligation. David could assist and support Mac in other ways. For example, he could serve on Mac's board of directors.

Mary's inability to deal with Mac's condition is understandable. And Mac seems to show compassion and support for her as she tries to come to grips with her new circumstances. It is not clear if Mac shows similar compassion and support for his son. David is dealing with the issues that come with being in your early 20s—the need to change your relationships with your parents and become more adult, and testing initial career choices.

David is also dealing with a desire to be supportive—supportive of his mother as she makes her personal decision to stay or leave, and supportive of and loyal to his father, without having to join the business. It will help if Mary and Mac recognize what David is going through and avoid taking advantage of his desire to please his parents.

PHOTO: [illegible]

James I. Herbert, director of the Urban Enterprise Initiative at Kennesaw State College, in Kennesaw, Ga.

This series presents actual family-business dilemmas, commented on by members of the Family Firm Institute and edited by Georgann Crosby, a consulting partner in the Family-Business Roundtable, a consulting organization in Phoenix. Identities are changed to protect family privacy. The authors' opinions do not necessarily reflect the views of the institute.

Free-Spirited Enterprise

By Michael Barrier

Yule Duel (Continued)

The old year has ended, and Jennings Osborne got through it without going to jail.

That may not sound like news, because, after all, the same could be said of most *Nation's Business* readers. But Osborne had better reason than most people to worry about a visit to the slammer in 1995.

He is the Little Rock, Ark., businessman whose dazzling Christmas displays engulfed his home in millions of lights and who was the subject of a Making It feature in this magazine. (See "What Life Is About," December 1994.) In 1994, his neighbors—irked by the traffic jams that Osborne's extravaganza produced—got the Arkansas Supreme Court to order the lights extinguished. Osborne, whose company tests new drugs on volunteers for major pharmaceutical companies, illuminated 174,600 lights anyway (including an angel shedding tears) and wound up fighting a possible jail term.

The Supreme Court found him guilty of contempt this past fall but suspended a 10-day jail sentence and ordered him to pay $10,000 in fines and court costs.

"In the recent motion picture 'Field of Dreams,'" Chief Justice Bradley Jesson wrote, "it was said, 'If you build it, they will come.' Mr. Osborne built it, and they did come."

Last year was a busy one for Osborne, who filed for personal Chapter 11 bankruptcy in July in response to suits against him by federal and state authorities over almost $500,000 in allegedly unpaid income taxes.

His bankruptcy filing showed he had plenty of assets to pay the claims, however, and his attorney, Robert Lowry, says that anyone to whom Osborne owes money will be paid "100 cents on the dollar." The idea behind the Chapter 11 filing, Lowry tells us, was

simply to "prevent some overstepping by individuals in government offices."

Osborne is challenging the Arkansas Supreme Court's decision in federal court, on religious and free-speech grounds, and he still hopes to light up western Little Rock again. For now, though, most of those 3 million lights have found a home—"on loan," Lowry emphasizes—at Walt Disney World, where audacious displays are far more common than in Little Rock.

What's In A Name?

For most people, a business card is just one more way to let the world know who you are. Others, though, use business cards to convey a more complex message.

We're looking as we write at the business card for Ed Juge, who represents the on-line service CompuServe. Juge's card identifies him as "Ed Juge, Evangelist." It says, in other words, that he believes in CompuServe and he's going to do his best to make you believe in it, too.

Likewise with Frank Fulkerson, whose stationery once identified him as president of Vortex Industries, a Los Angeles company that repairs and replaces warehouse doors. (We featured Vortex in a cover story a couple of years ago—"Re-engineering Your Company," February 1994.) When Fulkerson transformed Vortex into a much more team-oriented company, he had new business cards made up that read, "Frank Fulkerson, Head Coach."

We suspect there are a lot of you out there who use business cards in much the same way, to give the recipients of those cards a fuller sense of what your company is like, and what your role is in it. Let us know if we're right. Send us your card by mail (Free-Spirited Enterprise, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062), or fax a copy to us at (202) 887-3437.

We'll let you know what turns up; you folks with old-fashioned business cards might pick up some ideas.

Eggstra! Eggstra!

J. Mark Davis is one of those people who uses an unusual title; he signs his letters "J. Mark Davis, Innovation Capitalist."

Fair enough. He's also president of a company called Eggstra Enterprises, in Birmingham, Ala. Davis and Eggstra appeared briefly in this space a little over three years ago, soon after he introduced the Eggsercizer—a synthetic-rubber, egg-shaped object that he calls the World's Smallest Exercise Machine. He says he has now sold "a little over 700,000" Eggsercizers; they have found their way onto the shelves of chains such as Brookstone and Office Depot, and Eggstra just hired its sixth employee.

It's a sure bet that there's no exercise machine any easier to operate. You hold the Eggsercizer in the palm of your hand and squeeze. How hard you have to squeeze depends on the Eggsercizer's color—red is soft, blue is firmer, and purple is really firm.

Davis says his invention is great for building the grip (and we know some athletic types who back him up); the red version works just fine for most people, but Davis recommends the purple one for mountain climbers, beyond whom no one needs a firmer grip.

Davis still spends a lot of time in his consulting business; he uses ultrasound to check out cracks at nuclear-power and petrochemical plants, and he trains inspectors to do the same. That may sound like an odd combination, but Davis seems to be adept at interesting juxtapositions.

For example, he took a booth at an egg-and-poultry show in Atlanta. Too cute, you might say—but he sold about 800 Eggsercizers on the spot, and Davis says he stimulated a lot of interest in his invention as a marketing tool (he'll imprint corporate logos on the Eggsercizers) and as a way to combat the hand problems that can afflict workers in poultry plants.

If reading about all this has gotten you eggcited, you can learn more by calling Eggstra Enterprises at 1-800-858-EGGS. NB

MANAGING

The War On Drugs Wants You

Efforts are under way to enlist more small businesses in the fight against drug use by employees.

By David Warner

The driver was smoking a marijuana joint while traveling down U.S. Route 1 in Maryland when his tandem dump truck struck a bridge abutment, flipped end over end, and landed in a river. Fortunately, the driver was not injured. The $51,000 truck, however, was a total loss.

That drug-related accident in 1982, says Harold C. Green, president of Chamberlain Contractors, Inc., prompted him to adopt a comprehensive safety program at his Laurel, Md., paving company and, in 1987, a drug-testing and employee-assistance program.

But Green's 60-employee company is not typical of small firms when it comes to drug-prevention programs.

According to the U.S. Department of Labor's Bureau of Labor Statistics, only 3 percent of small businesses have drug-testing programs, and only 12 percent have a formal policy on drug use.

In contrast, among larger companies—those with 250 or more employees—46 percent of employers test their workers, and 74 percent have formal anti-drug policies.

The businesses that employ the majority of U.S. workers—the small and medium-sized firms—for the most part have been standing on the sidelines in the war on drugs, either because they lack the resources or the knowledge to fight the problem or because they don't believe there is a drug problem among their workers.

The statistics, though, suggest there is a problem. According to the National Institute on Drug Abuse, part of the Department of Health and Human Services, 74 percent of the 11.7 million drug users in the country are employed either full time or part time. In addition, the figures indicate, as many as 23 percent of them use illegal drugs on the job.

Drug users with jobs can be found in every profession, from law firms to construction companies, according to the NIDA's National Household Survey on Drug Abuse. (See the chart on Page 55.)

PHOTO: T. MICHAEL KEZA

A drug-related accident *involving one of his dump-truck drivers prompted Harold Green, second from right, to adopt a drug-testing and employee-assistance program at his paving company.*

The cost to business of such drug use, according to estimates by various drug-prevention organizations, is $75 billion to $100 billion each year in lost productivity and higher health-care and workers' compensation costs. Also, employee drug users have higher absentee and tardiness rates than nonusers.

To combat the pervasiveness of the problem, the Partnership for a Drug-Free America and the Community Anti-Drug Coalitions of America (CADCA) have re-energized their three-year-old National DRUGS DON'T WORK Partnership campaign. A major goal is to involve small companies to a greater degree in the war on drugs.

The idea, says William J. Kaufmann, president of the partnership, is to raise the level of awareness of drug abuse among workers in small companies.

The Partnership for a Drug-Free America, formed in 1986, is a coalition of volunteers from the communications industry that has donated time and talent in a public-service campaign against drug abuse. CADCA, an organization of activists in 3,800 communities, and the DRUGS DON'T WORK partnership were established by then-President Bush's Drug Advisory Council to provide high-level leadership to private-sector anti-drug efforts.

The DRUGS DON'T WORK program can provide businesses with low-cost services and products to set up drug-free-workplace programs, such as a how-to manual, a model drug-testing program, and information on the U.S. Department of Transportation's drug-testing requirements. Programs in 26 states are affiliated with the DRUGS DON'T WORK initiative, with many run by state and local chambers of commerce.

The U.S. Chamber of Commerce, through a nonprofit affiliate, the Center for Workforce Preparation, is supporting the national effort. The center is serving as a clearinghouse for information on state and local chambers' drug-free-

workplace programs and is urging employers to pledge that they will strive for a drug-free workplace.

A DRUGS DON'T WORK campaign to receive written pledges from 80,000 businesses by the end of 1997 kicks off in February. (See the pledge card.)

Establishing a drug-free-workplace program is the quickest and most effective way for businesses to have an impact on the country's drug problem, Kaufmann says. But such programs also have a positive effect on a company's bottom line, he notes.

Chamberlain Contractors' Green says he has seen "a substantial reduction in insurance costs from what they would have been if I hadn't put the [drug] program in place." His premiums for workers' compensation and general liability insurance, including auto insurance, dropped to $132,000 last year from $252,000 in 1987, the year he instituted the drug program.

Alabama, Florida, and Georgia have laws that provide companies that establish drug-free-workplace programs with a 5 percent discount on workers' comp premiums. Among other states considering such measures are Arizona, New Jersey, North Carolina, and Washington.

And drug-free-workplace programs don't just save employers money—they can save people's lives, says Mark Goodson, president of Goodson Electric, an electrical contractor in Palmetto, Fla.

Because of the drug program his company set up with the help of the Manatee County Chamber of Commerce, "we were able to intervene in a young man's life, to help him," says Goodson, referring to an employee who was having family and job problems related to drug use. "I had a good man, and I saved a good employee."

On A Payroll And On Drugs

Percentage Of Full-Time Employees Ages 18 To 34 Using Drugs, By Industry	
Construction	**15.4%**
Wholesale Trade	**13.6**
Retail Trade	**12.2**
Repair Services	**11.3**
Transportation	**9.0**
Finance	**8.8**
Manufacturing	**8.1**
Professional	**6.5**

SOURCE: NATIONAL INSTITUTE ON DRUG ABUSE, NATIONAL HOUSEHOLD SURVEY ON DRUG ABUSE, 1991

CHART: MICHAEL ROOK

When a company is setting up a drug-free-workplace program, says attorney Mark A. de Bernardo, managing partner of the Washington office of the law firm Littler, Mendelson, Fastiff, Tichy & Mathiason, it's important for the firm to have a formal written policy that lays out the proscribed activities and the consequences for using drugs and to communicate that policy to employees.

"Every small business in the country should have a written policy against drug abuse," says de Bernardo, who adds that the policy should be communicated consistently and repeatedly.

De Bernardo, who also is executive director of the Washington-based Institute for a Drug-Free Workplace, says firms adopting drug policies and testing should consult a lawyer or seek help from groups such as his or the DRUGS DON'T WORK partnership to ensure that they are in compliance with federal, state, and local laws. The institute represents business on national and state policy making on workplace drug testing and drug-abuse-prevention issues. (See the resources list below.)

Another element of a drug-free-workplace program, says Chamberlain Contractors' Green, is an employee-assistance program. An EAP provides workers with access to counselors who are experts at dealing with drug abuse, financial difficulties, and other problems that might affect employees' job performance.

Although an EAP may not be crucial to the success of a drug-free-workplace program, Goodson, of 45-employee Goodson Electric, says an EAP makes it easier for employees who might have a substance-abuse problem to come forward. "Knowing that the program exists," he says, "has broken down the barrier between the boss and the employees." NB

To order a reprint of this story, see Page 61. For a fax copy, see Page 37.

Where To Turn For Help

A number of resources are available to employers who are trying to keep their workplaces—and their workers—free of drugs and alcohol. Here are some of them.

■ The Center for Substance Abuse Treatment has a hot line to provide advice about and referrals to drug- and alcohol-treatment services for individuals. Call 1-800-662-4357.

■ Community Anti-Drug Coalitions of America, now affiliated with the National DRUGS DON'T WORK Partnership, has brought together schools, businesses, religious groups, law-enforcement agencies, and others in 3,800 communities across the country to develop local plans and programs to combat drug abuse. Write the organization at 901 N. Pitt St., Alexandria, Va. 22314; or call (703) 706-0578.

■ The Employee Assistance Professionals Association, an organization of employee-assistance program (EAP) providers, has information on selecting an EAP and on such programs' usefulness in dealing with workers' problems, including drug and alcohol abuse. Write the association at 4601 N. Fairfax Drive, Suite 1001, Arlington, Va. 22203; or call (703) 522-6272.

■ The Institute for a Drug-Free Workplace represents business on issues related to drug-abuse prevention and testing. It can, for a fee, help firms set up drug-free-workplace policies. Contact the institute at 1225 I Street, N.W., Suite 1000, Washington, D.C. 20005; (202) 842-7400.

■ The National Clearinghouse for Alcohol and Drug Information has specialists who can answer questions on all aspects of substance abuse. It also has many publications and other educational materials, including videos, about alcohol and drug abuse. They are available at low or no cost. Write the clearinghouse at P.O. Box 2345, Rockville, Md. 20852; or call 1-800-729-6686.

■ The National Institute on Drug Abuse/Center for Substance Abuse Prevention can provide a free information kit to employers on the development and implementation of drug-free-workplace programs. Its workplace "helpline" can provide answers to questions concerning drug and alcohol use on the job. Also available through the helpline is a list of drug-testing laboratories that have been certified by the U.S. Department of Health and Human Services. Call 1-800-843-4971.

■ The U.S. Chamber of Commerce/Center for Workforce Preparation is acting as a clearinghouse for information on successful anti-drug programs set up by state and local chambers of commerce. Call (202) 463-5525.

Small Business Financial Adviser

Prospects for investments this year; reasons people put off estate planning.

Wall Street Looks For Moderate Gains In '96

By Randy Myers

Fasten your seat belts. Fresh off its biggest one-year gain since 1958, as measured by the Standard & Poor's 500-stock index, the stock market entered 1996 at a sprinter's pace that would seem to defy the laws of market science—namely, that prices don't advance this far this long without pausing for a correction.

With last year's big gains, the stock market has now gone five years—the longest such period in history—without a correction of at least 10 percent.

Perhaps that reversal will come this year. But as if to prove it wasn't tired yet, the stock market burst out of the starting gates on the first day of trading in the new year, sending the Dow Jones industrial average up 60 points. And so, while virtually nobody is anticipating a repeat of the market's 1995 performance this year, neither do analysts see many reasons for the bull market to end.

Of course, few prognosticators had forecast a big rally for 1995, either, and yet that's what they got. The average stock mutual fund posted a total return (price appreciation plus reinvested dividends and capital gains) of 31.1 percent, the biggest gain since 1991, according to Lipper Analytical Services Inc.

Trailing The S&P 500

Most funds, however, failed to match the performance of the S&P 500, which consists of big-company stocks and returned a whopping 37.6 percent. The fourth quarter was the weakest of the year, owing largely to a sell-off in technology issues, which had led the market for the first nine months of the year. Many had predicted that a technology sell-off would send the whole market crashing, but it didn't. The average general stock fund still rose 3.05 percent in the fourth quarter.

The average gain among domestic taxable bond funds was 3.53 percent in the fourth quarter and 15.22 percent for all of 1995. Some funds that hold only long-term issues did much better, reflecting the 34.2 percent return earned by the Treasury's benchmark 30-year bond, which closed the year with a yield just under 6 percent.

Despite that remarkable advance, it was the stock market that caught the public's fancy last year. Its best-performing sectors were aerospace issues, up 57 percent, drug manufacturers, up 56.8 percent, and savings and loans, up 52.2 percent, according to Media General Financial Services Inc., in Richmond, Va. (See the fourth-quarter chart on Page 58.) Of the 60 industry groups tracked by Media General, only two—textile manufacturers and metals companies—turned in a negative performance for the entire year.

While it is reasonable to expect U.S. stock gains to moderate in 1996—no one is predicting another 37 percent advance by the S&P 500—it is not unreasonable to think that stocks could continue higher, perhaps by the 10 percent that Wall Street, on average, is expecting.

Data from Ibbotson

Performance Of Mutual Funds, By Category

With Dividends Reinvested Through Dec. 31

(Figures Are Percentages)

Type Of Fund	4th Quarter	1995	Five Years
Capital-appreciation funds	2.15	30.34	125.37
Growth funds	2.36	30.79	113.44
Midsize-company funds	1.75	32.17	148.88
Small-company growth funds	1.68	31.54	161.33
Growth and income funds	4.53	30.82	105.29
S&P 500 Index objective funds	5.84	36.84	110.09
Equity income funds	6.69	30.17	102.89
General Stock Funds Average	3.05	31.07	118.92
Health/biotechnology funds	11.62	47.17	143.30
Natural-resources funds	4.32	18.80	51.42
Environmental funds	-0.02	24.41	21.70
Science and technology funds	-6.30	37.74	239.41
Specialty/miscellaneous funds	2.32	26.84	142.39
Utility funds	6.88	27.34	77.26
Financial-services funds	5.14	41.45	252.35
Real-estate funds	3.87	13.82	85.91
Gold-oriented funds	-4.01	1.76	34.16
Global funds	1.26	16.05	79.41
Global small-company funds	0.15	16.72	92.26
International funds	1.93	9.41	63.51
International small-company funds	-0.26	5.79	34.45
European-region funds	0.10	16.85	57.10
Pacific funds, excluding Japan	-0.54	1.95	100.39
Pacific-region funds	1.22	1.97	67.79
Emerging-markets funds	-3.39	-4.59	71.97
Japanese funds	4.00	-1.85	9.12
Latin American funds	-4.87	-20.56	NA
Canadian funds	2.46	10.49	37.73
World Stock Funds Average	0.41	7.79	61.74
All Stock Funds Average	2.46	25.05	110.40
Flexible portfolio funds	3.88	25.08	84.60
Global flexible portfolio funds	3.02	17.35	65.27
Balanced funds	4.23	25.16	85.12
Balanced-target maturity funds	4.32	22.56	74.56
Convertible-securities funds	2.47	20.81	105.01
Income funds	4.49	21.66	79.21
World income (bond) funds	4.36	15.67	38.20
Fixed income (bond) funds	3.53	15.22	60.19
Average Of Taxable Stock And Bond Funds	3.00	21.68	91.50

SOURCE: LIPPER ANALYTICAL SERVICES INC.

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Associates, a Chicago-based research firm, show that the S&P 500 advanced by 25 percent or more in 18 separate years since 1926, and in 10 of those instances it produced a positive return again in the subsequent year. Similarly, U.S. long-term government bonds rose by more than 25 percent three times since 1926 (all in the 1980s), and they advanced again in two of the subsequent years.

Keeping The Ball Rolling

What could keep the markets moving ahead in 1996 when history suggests that a correction is long overdue? The same factors that aided it in 1995 (strong corporate profits amid slow economic growth and negligible inflation), combined with what Don Hays, director of investment strategy at the brokerage firm Wheat First Butcher Singer, also in Richmond, calls the tendency of money to go "where it's treated best."

In 1996, that could again be domestic stocks, provided that the Federal Reserve Board continues to cut short-term interest rates, as it did twice in 1995. Lower rates would help to keep the slow-growing economy from drifting into a recession and would boost bond prices.

Lower rates also would reduce yields on low-risk investments such as certificates of deposit, making them unattractive to all but the most safety-conscious investors. One-year CDs were already yielding just 4.96 percent, on average, by the end of 1995, compared with 5.72 percent a year earlier.

Here's what most Wall Street experts are advising investors to do in 1996: Avoid long-term bonds in your fixed-income portfolio, since yields are already nearly two percentage points lower than they were a year ago and are not much higher than the yields on intermediate-term bonds (such as five-year Treasuries), which are far less sensitive to interest-rate changes.

Avoid Inflated Stocks

In the stock market, look for companies whose shares weren't overly inflated by 1995's rally and that have a good chance to improve earnings. Ironically, many analysts expect good things from the same sectors that did well in 1995.

The fourth-quarter shakeout in computer-technology stocks has made some of those issues far more affordable than they were just a few months ago. "The technology sector is probably going to be an underperformer for the first three or four months of the year while it heals its bruises, but as we head into April, May, and June, it may once again become a darling of Wall Street," says Hays.

That would be particularly true if, as expected, technology companies increase their earnings about 30 percent on average this year, triple the rate expected for corporations as a whole.

"We're kind of stepping back into the technology area, particularly semiconductors," says Charles Smith, chief investment officer for Fort Pitt Capital Group, a small, value-oriented investment firm in Pittsburgh. "The market for the past several months has focused on Internet companies and thrown semiconductors and other computer names to the wayside," he says, and that affords a fresh buying opportunity in those sectors.

Smith also likes the outlook for financial stocks, despite their tremendous run in 1995. "We still think some of the banks look attractive," he says. "As long as interest rates don't spike, we think they can grow their earnings by 10 to 12 percent this year."

In sum, Wall Street experts suggest that there's no reason for investors to make radical changes in their investment strategy heading into 1996. Stay alert, though, for any persistent pickup in price or wage inflation or economic growth, which could prompt the Fed to reverse its current bias toward lower interest rates and throw a monkey wrench into both the stock and bond markets. ■

Randy Myers is a financial writer in Dover, Pa.

Stock Performance In The Fourth Quarter

Industry Group	Change In Value Oct. 1 To Dec. 31 (Figures Are Percentages)	Industry Group	Change In Value Oct. 1 To Dec. 31 (Figures Are Percentages)
Drug manufacturers	14.7	Business equipment	2.7
Aerospace	12.2	Rubber, plastic	2.1
Electrical equipment	10.9	Retail—miscellaneous	2.0
Oil, refining, marketing	10.4	Personal services	1.8
Health	9.9	Recreation—luxury	1.7
Oil, natural-gas services	9.6	Shoes, leather	1.5
Food production	9.4	Metals—nonferrous, coal	1.5
Building—heavy	9.3	Chemicals	1.5
Utilities—gas, other	8.8	Automotive	1.1
Cosmetics—personal	8.8	Machinery—heavy	1.0
Tobacco	8.3	Precision instruments	1.0
Real-estate investing	8.2	Housewares, furnishings	0.9
Multi-industry	7.7	Recreation—broadcasting	0.9
Food—packaged goods	7.0	Real estate	0.8
Dow Jones Industrial Average	6.8	NASDAQ Index	0.8
Food—confections	6.6	AMEX Index	0.6
Utilities—electric	6.2	Distillers—brewers	0.3
Insurance	6.1	Oil, natural-gas production	0.2
Banking	5.8	Recreation—movies, sports	-0.7
Hotels, motels, restaurants	5.5	Paper, packaging	-0.8
Publishing	5.5	Machinery—light equipment	-1.9
Business services	5.5	Credit	-2.0
S&P 500 Index	5.4	Building	-2.0
NYSE Index	5.2	Textile manufacturing	-2.1
Savings and loans	5.1	Food—meats, dairy	-2.9
S&P Industrial Index	5.1	Retail—department stores	-3.1
Retail—food stores	4.7	Freight, shipping	-3.1
Textiles—apparel	4.6	Metals—rare	-3.5
Airlines	4.6	Investments	-4.3
Railroads	4.4	Retail—apparel	-4.6
Media General Stock Index	3.9	Metals fabrication	-5.1
Business data processing	3.6	Retail—discount, drugs	-10.5
Communications	2.9	Electronics	-18.7
Metals—iron, steel	2.8		

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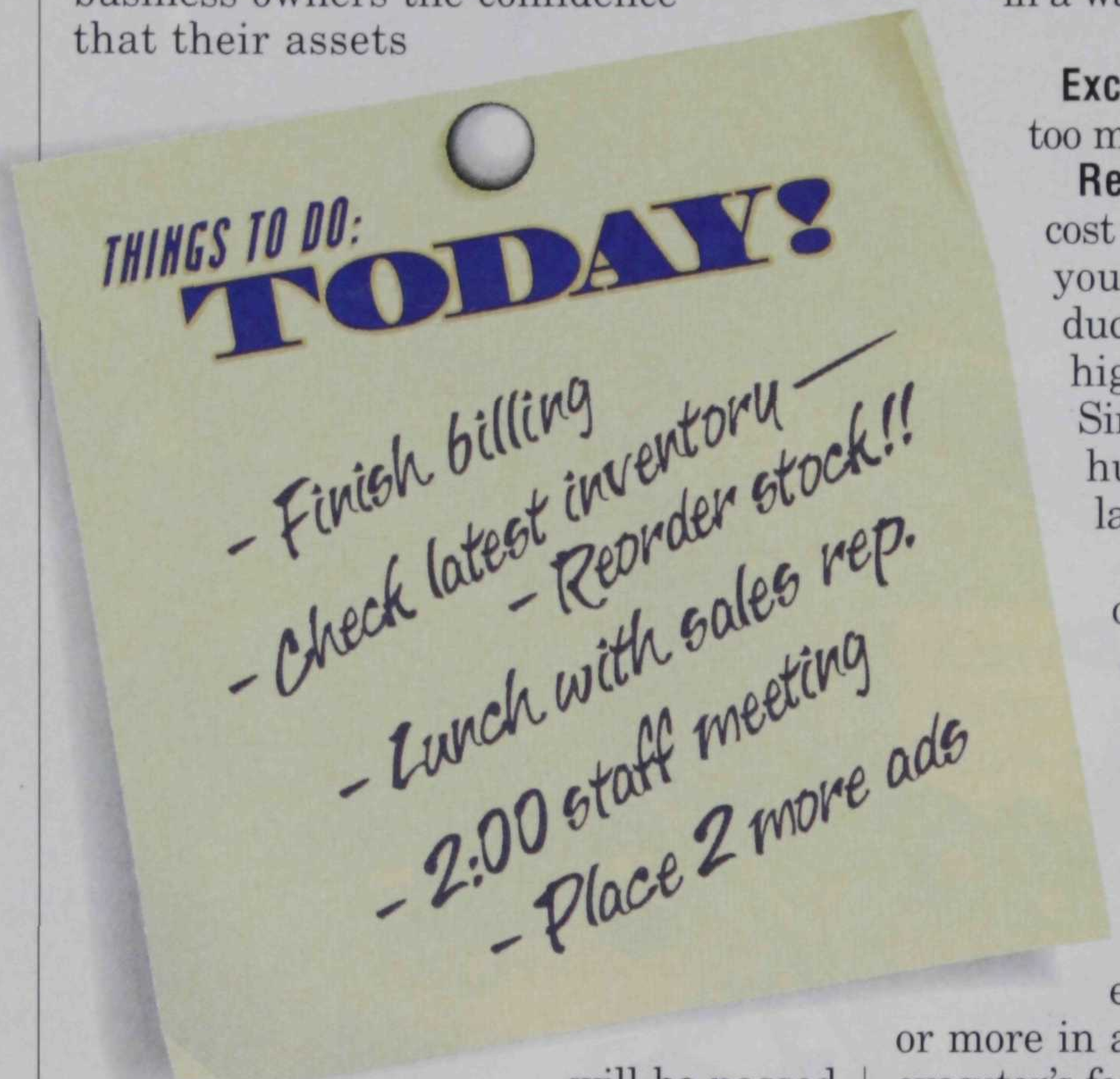
ESTATE PLANNING

Eight Lame Excuses To Procrastinate

By James R. McDaniel

Although small-business owners create and manage successful companies, they are notorious for not doing estate planning. Many prosperous small-business owners die with no estate plan, leaving their heirs owing substantial estate taxes.

Proper estate planning can give small-business owners the confidence that their assets will be passed on in the manner that they intend and that the business they have worked so hard to build can continue without having to be sold to cover taxes.



One of the more frustrating aspects of trying to help people with estate planning is overcoming the strong inertia that in effect can prevent the process from getting started. Here are the "eight best excuses" I hear most often—along with my replies:

Excuse 1: I've just been too busy, but as soon as I have more time, I'll get started.

Reply: Letting yourself be too busy is simply a convenient excuse to put off something that you think you will always be able to do later. Unfortunately, an unexpected event such as an automobile accident or a stroke can occur before you make time to start planning.

Excuse 2: I don't really know what I would want to do for an estate plan.

Reply: If you can't decide what kind of estate plan to draw up, the state where you reside will decide for you. The estate of anyone who dies without a will is subject to settlement by state law. Those laws specify who is to receive your property and when. Unfortunately, the settlement supervised by the state may convey property and other assets to someone you may not have picked, or it may divide assets in a way you would not have chosen.

Excuse 3: Estate planning costs too much.

Reply: Not doing anything can cost you even more. For example, you may be able to avoid or reduce estate taxes that can be as high as 55 cents on the dollar. Simple planning can often save hundreds of thousands of dollars in estate taxes.

Also, through planning, it's often possible to avoid probate administration fees and delays involved in court settlement of an estate without a will. Those fees are based on statutory schedules that in California, for example, can cause a \$100,000 probate estate to be subject to \$3,000 or more in attorneys' fees and \$3,000 in executor's fees. A \$1 million estate may be subject to \$20,000 or more in attorneys' fees and an additional \$20,000 in executor's fees. The minimum time to probate an estate is usually six months.

Excuse 4: I don't like having to think about my death.

Reply: A primary reason to do estate planning is to make sure that you have made appropriate provisions for your family upon your death. The focus is on planning to help protect their interests. Having completed your estate plan gives you the peace of mind of knowing that you have taken care of providing for your family's needs.

Excuse 5: I'm not comfortable having to talk about my personal financial situation and family matters with a lawyer.

Reply: Your lawyer treats anything learned about you as confidential and acts only in your interest. It makes as little sense to avoid seeing a lawyer to keep your financial situation private as it does to avoid seeing a doctor to keep your health situation private. Ultimately, that strategy is going to backfire.

Excuse 6: I don't own enough assets to make estate planning necessary.

Reply: No matter how small an estate you may have, usually there are reasons why it is better to have a will or a trust in place to provide for the disposition of your property than to have neither.

For example, if you have children who are minors, you need to think about appointing a guardian to take care of them if there is no surviving parent. There are numerous other issues like this that should be addressed, even for someone with the smallest of estates.

Excuse 7: My spouse and I do not agree on what we should do.

Reply: If you do not agree and do nothing because of that, then your spouse will be able to control everything in the event you die first. If you have a will or a trust, you can at least make decisions to control your share of the property.

Excuse 8: I do not know whom to name (or I cannot decide whom to name) as my estate executor or guardian of my children.

Reply: If you do not name them, then the court that settles your estate will name them for you. They may be just the people you would not want to have those powers.

These "best" excuses are certainly not the only ones people use. But they are a good sampling. If one or more of them fits your own situation, it's time to take charge of your own estate-planning needs. NB

James R. McDaniel is a partner at the law firm of Reish & Luftman, with offices in Los Angeles and Washington, D.C. He specializes in estate planning.

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Where I Stand

On Labor's Strategy

Background: The AFL-CIO, organized labor's umbrella organization, has chosen new activist leaders who are planning an aggressive organizing campaign that could include unconventional, nonstrike actions. (See the cover story, Page 16.) These questions seek your views on whether a newly energized union movement will succeed.

Results of this poll will be forwarded to administration officials and congressional leaders. Send the attached, postage-paid Reader Response Card. Or circle your answers below and fax this page to (202) 463-5636.

1 Is your business prepared for a resurgence of union activity?

1. Yes
2. No
3. Unsure

2 Could aggressive nonstrike tactics by unions threaten your business?

1. Yes
2. No
3. Unsure

3 Could a strike against your firm be effective?

1. Yes
2. No
3. Unsure

4 Could your business survive a "corporate campaign"?

1. Yes
2. No
3. Unsure

5 Can unions reverse the decline of their share of the work force through their aggressive new organizing campaigns?

1. Yes
2. No
3. Unsure

6 Would you be willing to respond to a "corporate campaign" with equally aggressive tactics?

1. Yes
2. No
3. Unsure

Send Your Response Today!

POLL RESULTS

Labor Relations At Readers' Firms

Most *Nation's Business* readers don't have a union at their firm and enjoy good relations with their employees, according to the results of the Where I Stand poll in the December issue.

Moreover, most respondents don't expect to be the target of union organizers and have had little experience with union "corporate campaigns," which can involve harassment of company officials, bankers, creditors, suppliers, or customers.

Here are the results of the survey:

LABOR

Which of the following best describes the state of labor-management relations in your firm?

No union, and relations are good	71 %
No union; problems are handled by managers and affected employees	17
Union rejected in the past three years	1
No union, but expect organizing activity and vote within a year	1
Traditional union-management relationship, and relations are good	9
Relations with union are poor; a strike could occur	1

How much do you rely on employees, union or nonunion, to make suggestions about workplace issues, such as safety concerns, benefits, or general conditions?

Don't consult employees	4 %
Listen to employees' concerns but don't involve them in decisions	34
Include employees or representatives closely in making recommendations or decisions	62

How much do you rely on employees, union or nonunion, to make suggestions about the design or content of your firm's products or services?

Don't consult employees	8 %
Listen to employees' ideas and suggestions but make own decisions	43
Ask employees to help design products and services based on their expertise and experience	34
Let employees or employee groups make own decisions on some products, services, or processes	15

What is the likelihood that unions will want to organize your employees?

Already have a union	10 %
Believe company is probable target for union organizing	8
Don't believe company is union target	73
Unlikely; employees have already turned down a union	9

Some unions are engaging in what is known as a "corporate campaign" against firms during contract talks or in organizing efforts. Which one of the following activities, if any, has been the biggest problem for you?

Pressure on customers or suppliers	4 %
Harassment of executives or directors	1
Suspiciously timed complaints to regulators	4
Union-inspired shareholder resolutions on labor issues	1
Other unconventional union tactics	4
No problems of this nature	86

Which proposed action by Congress is most important to you?

Repeal of Davis-Bacon (prevailing-wages) Act	26 %
Repeal of minimum-wage law	10
Allowing management-employee teams to deal with worker issues	16
Permitting replacement of striking workers	17
Comprehensive labor-law reform	31

To Your Health

Managing well includes paying attention to your own health and that of employees; here is advice to help you do that better.

By Janet L. Willen

Computers' Toll On The Eyes

A long day of intense work at a computer terminal can take a toll on anyone. When workdays routinely end with itchy and tired eyes and difficulty focusing, there's a problem. Ophthalmologists and optometrists say computer users frequently complain about these symptoms.

"There's no question that [computer users] come to my practice saying they're not comfortable and their eyes ache at the end of a day," says Dr. Andrew Iwach, assistant clinical professor of ophthalmology at the University of California at San Francisco and a spokesman for the American Academy of Ophthalmology. "The first reaction is to say something is coming from the screen, but it's not the CRT [cathode ray tube]. It's the repetitive task"—the ongoing work at the computer terminal.

In a 1992 study, James E. Sheedy, chief of the VDT Eye Clinic at the University of California at Berkeley's School of Optometry, found that more than 14 percent of optometric patients, approximately 10 million people, seek help because of problems associated with use of a computer's video display terminal, or VDT.

Optometrists told Sheedy that VDT workers had more-intense symptoms than other patients and had special problems associated with viewing distances and angles, with their need for spectacles, and with dry or irritated eyes.

Many patients also complained of neck and back aches. Doctors attributed some of their patients' problems to environmental factors such as screen glare, lighting, and screen design.

To diagnose and treat VDT workers' problems, Sheedy has patients bring to the clinic measurements and observations about their workstations, such as eye-to-screen distance and the type of lighting. Then, at the clinic, patients sit at a workstation designed to simulate their own office.

Positioning is important because problems may occur if a VDT user has to strain to see the computer screen. "The eyes lead the body in visually intensive jobs," says Sheedy. "If you have to get in an awkward position to see, the body will bear the brunt of the problem."

Following are steps that VDT users can take to reduce fatigue and discomfort:

Screen Placement. Iwach recommends sitting 14 to 20 inches from the VDT screen, with the top of the screen at or below eye level. Sheedy recommends looking down at the screen at an angle of 10 to 20 degrees to prevent straining, which can result in neck and back pain. "Eyes work better looking down," he says.

PHOTO: ©JEFF ZARUBA—FOLIO, INC.

Viewing *a computer screen continually may lead to vision difficulties.*

People look down with eyes partly closed when reading books, but when working at computers, they look straight ahead with eyes wide open and with minimal blinking. At the same time, the rate of tear evaporation doubles.

Blinking wets the surface of the eye and nourishes the cornea. When people don't blink, their eyes dry out. Together, a lower blink rate and higher evaporation rate can cause drying of the eyes. A drier surface is more likely to get irritated and red and may also cause distortion of vision.

Glare. Several studies by the National Institute of Occupational Safety and Health report that glare from sun or ambient lighting is a source of discomfort in VDT workplaces.

NIOSH recommends using indirect lighting to diffuse glare and minimizing highly glossy surfaces to prevent reflections onto the screen. Window blinds and drapes can control sunlight in a room. A filter over the screen and a VDT hood can cut glare.

Equipment. Computer screens should have contrast and brightness controls for a clear image. Iwach also recommends keeping the screen free of dust, which may distort images and cause eyestrain.

Paperwork. The American Academy of Ophthalmology recommends that reference materials be kept as close to the screen as possible to minimize shifting of the eyes, head, and neck.

Rest Breaks. VDT users may improve their endurance and ability to do work by taking short rest breaks every 15 minutes or so, Iwach says. Blinking during breaks helps to keep the eyes lubricated. Artificial tears can help computer users suffering from dry eyes, Iwach says.

Eye Exams. Iwach and Sheedy urge routine eye examinations. "If there is an ocular problem, the repetitive task will bring it out," says Iwach. VDT users may discover that they need corrective lenses for computer work.

A checkup can also rule out the possibility that eyestrain is caused by eye disease. NB

TOP-RATED BUSINESS PRODUCTS!

Nation's Business readers have selected their TOP 10 business products in the only way that counts… with their wallets! Through their purchases they've told us that these courses, documents, and strategies have helped them save time, generate income, and foster better customer and employee relations. In general, they've said that many of the products on the following pages have helped their businesses grow and prosper.

Listed below are the TOP 10 to serve as a guide for your own purchases. And we've introduced 12 new products to our regular offerings, three of which are featured on this page. Remember that every product shown in the grouping has undergone rigorous screening before it appears in Nation's Business. Remember, too, that every product we offer carries our 30-DAY SATISFACTION GUARANTEED pledge: If for any reason you decide to return a product within 30 days of receipt, you'll receive a complete refund or cancellation of your credit card charge. Order your examination copies today!

TOP 10 HONOR ROLL

Sales LetterWorks
(customizable, ready-to-use sales letters)

BizPlan*Builder*
(business plan development)

The Power of Customer Service
(enhanced customer satisfaction)

Up Your Cash Flow
(cash needs fulfillment)

38 Proven Ways to Close That Sale
(sales solutions)

50 Ways to Keep Your Customers
(customer retention)

Legal LetterWorks
(customizable forms, contracts, agreements)

Business LetterWorks
(customizable letters for every occasion)

Personnel ReadyWorks
(human resource management forms)

Publicity*Builder*
(free publicity generation)

Full descriptions inside. Order now!

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Publish your own manual and protect your company.

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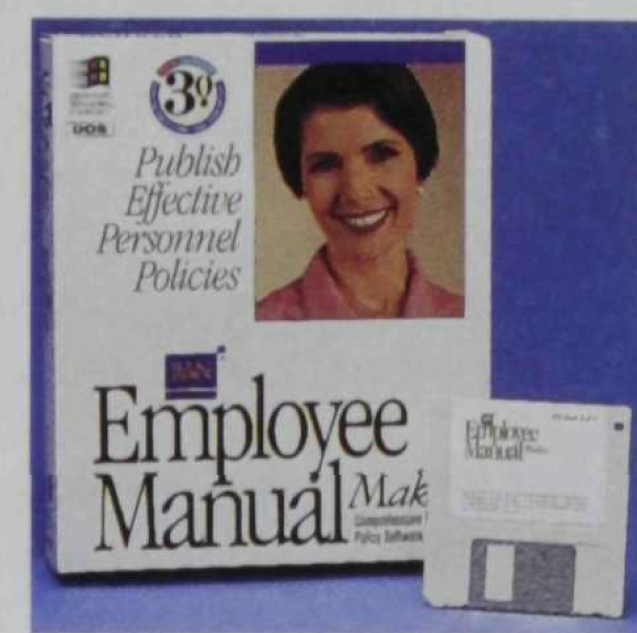

Computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC) and 400-page reference guide.
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Stop problems before they occur by creating a company-specific manual that details your policies, procedures, and benefits. With over 140 ready-to-customize documents to choose from, you'll not only satisfy legal requirements when you give each employee a manual, you'll have better informed (and happier) employees and managers… and that means a smooth-running business. This is a *must* for anyone with five or more employees.

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NEW!

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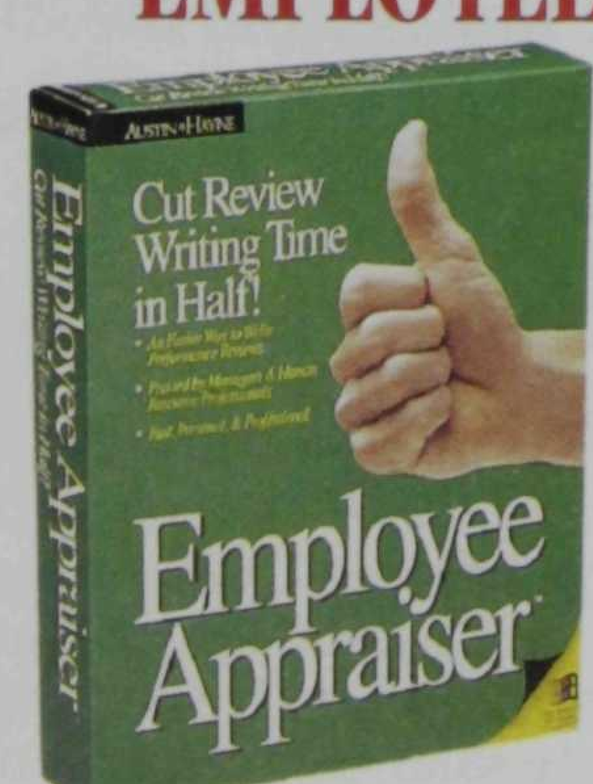

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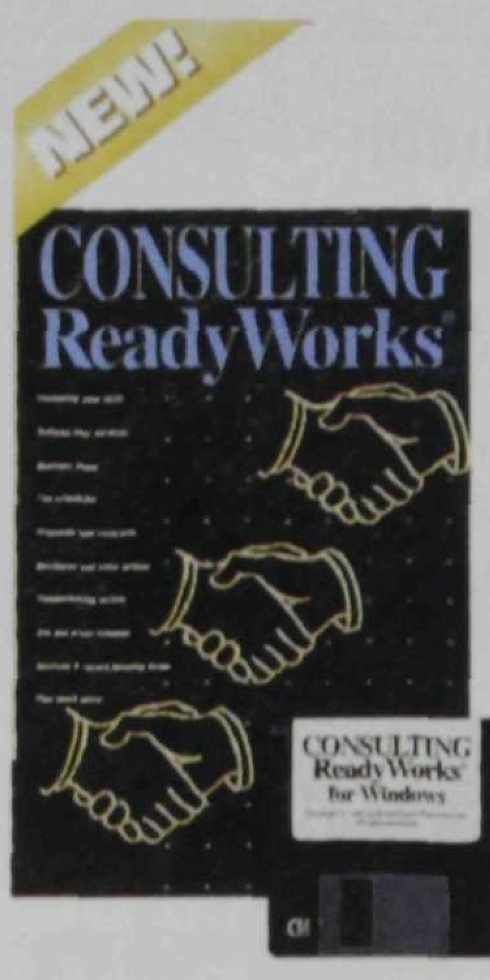
Nation'sBusiness

COMPUTER LETTERS, FORMS, DOCUMENTS, AGREEMENTS



Expert advice and forms for starting and running a consulting business.

CONSULTING READYWORKS

Start generating income from the moment you start your business. 150 forms that help you calculate fees, send winning proposals, write your own brochures and sales letters, create contracts, and more. This program also explains what to do about slow-paying clients, how to dramatically increase business from existing clients, and how to get free publicity.

Computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC) and 300-page book (150 documents)

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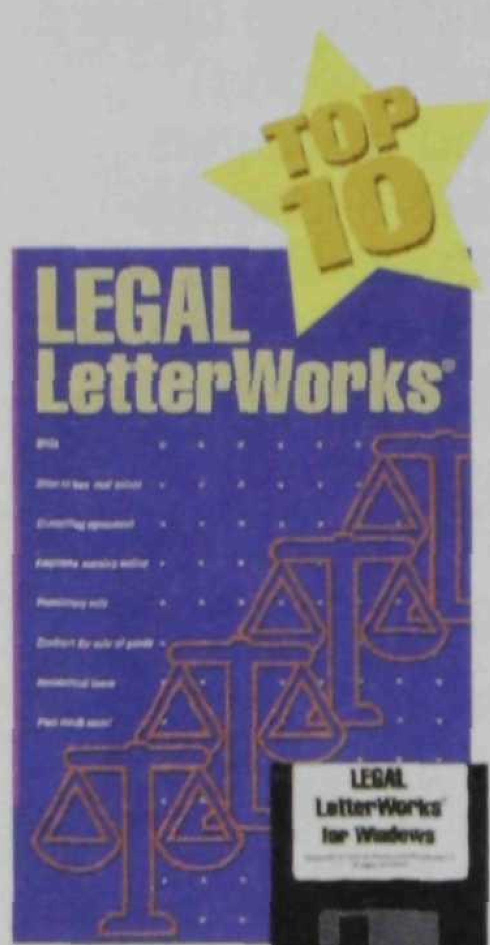

165 legal forms and agreements

LEGAL LETTERWORKS

Count the times you've needed a legal form: partnership or corporation papers, brokerage agreement, real-estate lease, contract for sale of goods, a will. Now you can save money on legal fees and avoid time-consuming deal-killing delays. Just call up the form you want, fill in the blanks as directed, and print a completed form.

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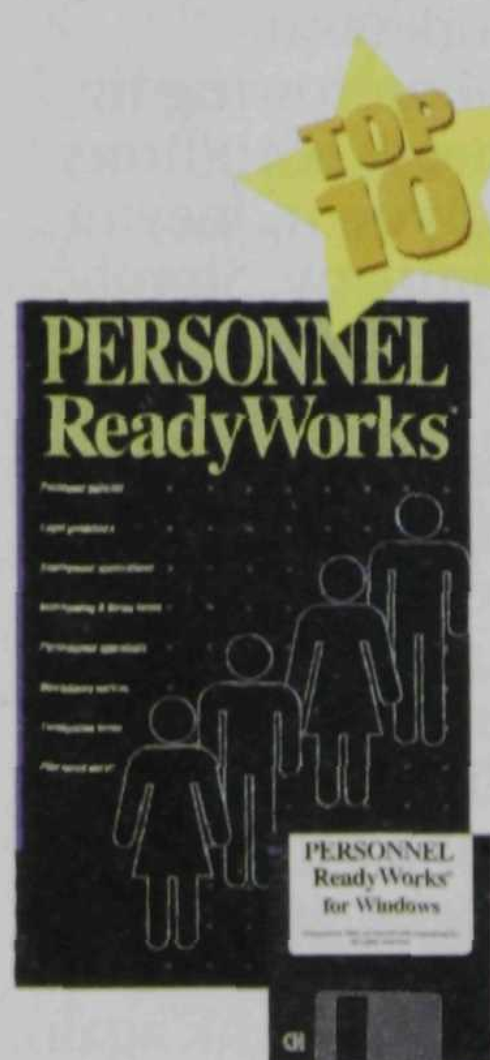

160 forms and documents for every phase of personnel management.

PERSONNEL READYWORKS

Effectively handle many of the most sensitive areas of management: hiring and discipline, health and safety, government regulations, and more. Avoid costly problems and possible lawsuits with customizable forms that cover company policy, benefits, record-keeping, performance appraisals, terminations, confidentiality, and illness.

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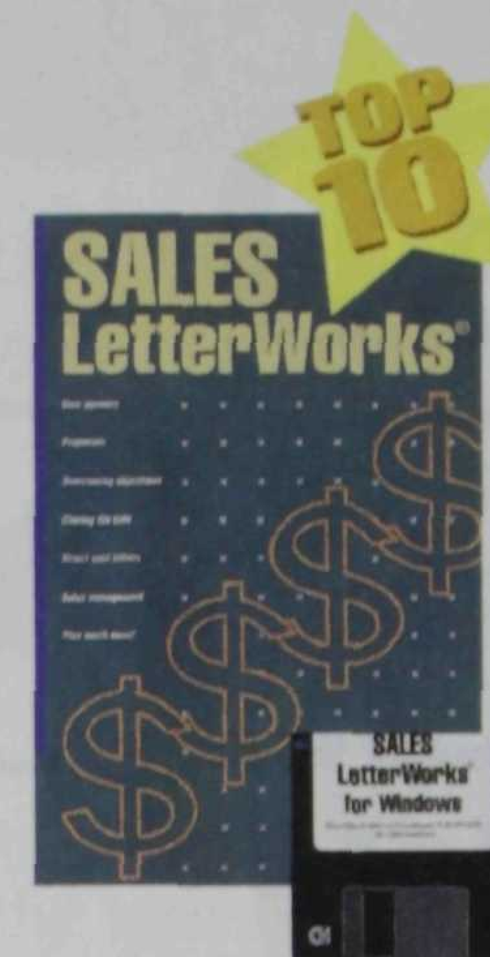

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No matter what your business is or whom you're trying to convince, you'll find the *perfect* letter for virtually every selling situation. Call up customizable letters that cover every aspect of selling: creating repeat business, opening doors, dealing with customers, responding to objections, collecting money.

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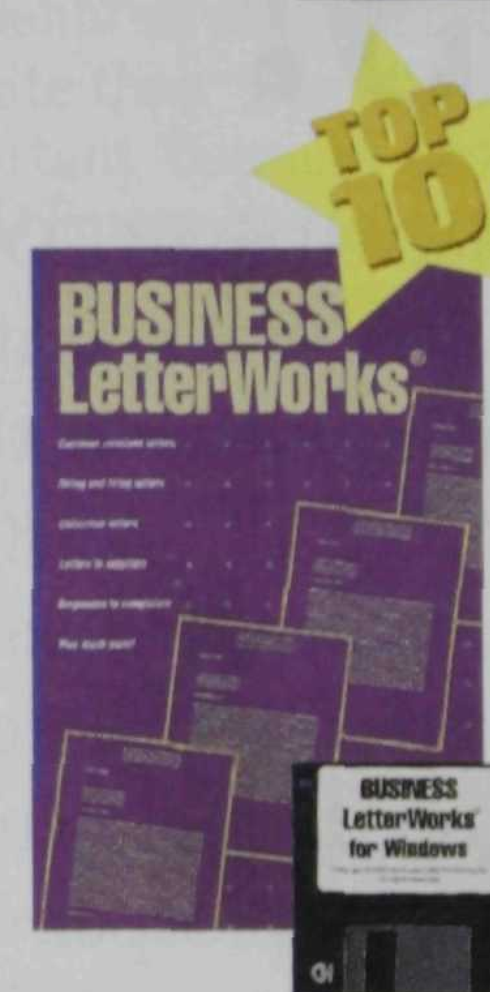

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If you've ever had to apologize for an employee's rudeness, make an inquiry to a venture capital firm, collect an unpaid debt, or any number of everyday situations, then this software will simplify your life. Call up letters covering advertising, suppliers, internal communications...every possible business situation.

Computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC) and 470-page book (400 letters)

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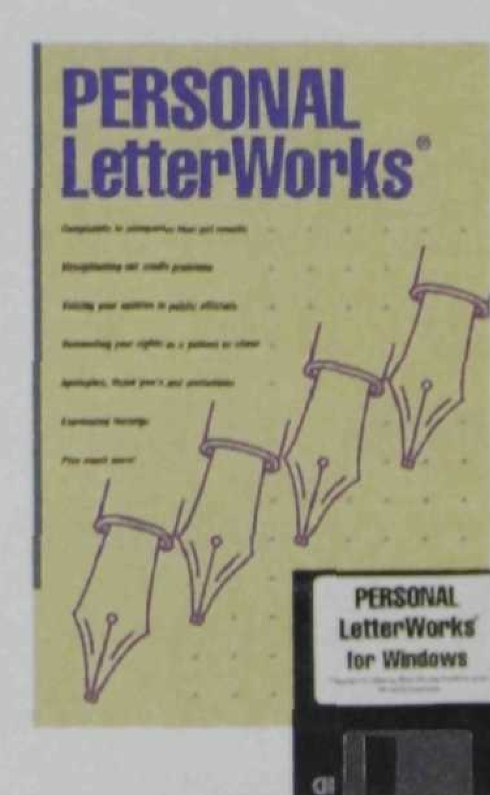

400 customizable letters for your business and personal life.

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Be prepared for every imaginable situation, ranging from touchy, feelings-oriented issues to hard-nosed "this-is-the-way-it's-going-to-be" challenges. Never struggle again with a sympathy note to a colleague or friend, or a hard-to-resolve dispute with an uncaring banker or vendor, or how to say "Thank you," or "I appreciate you."

Computer disk (DOS 5-1/4, 3-1/2, WINDOWS 3-1/2, MAC) and 470-page book (400 letters)

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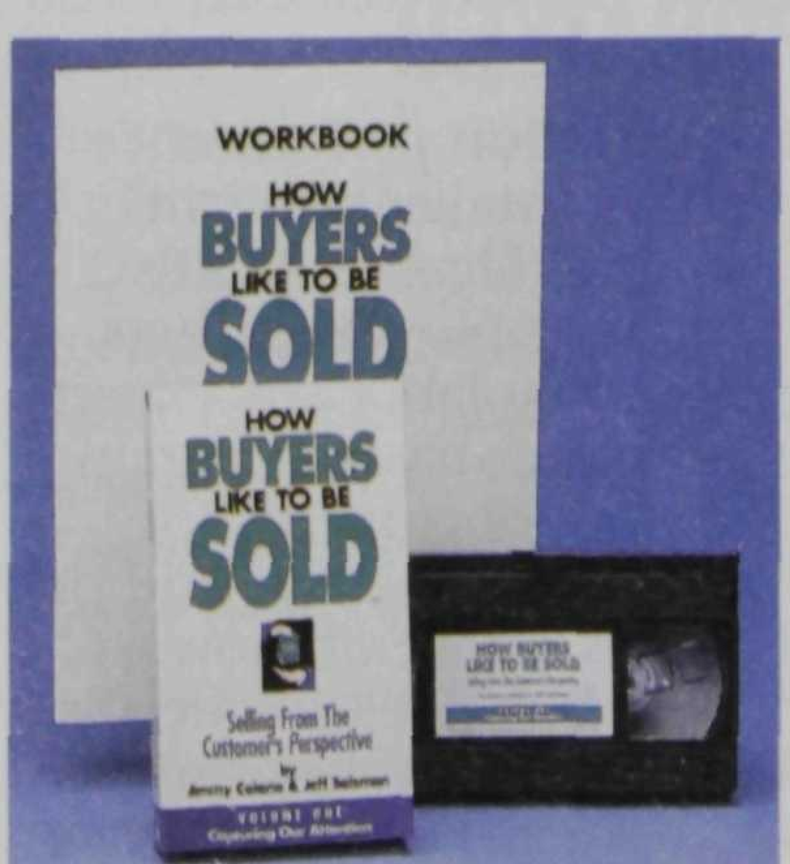
SELLING SKILLS ON VIDEO



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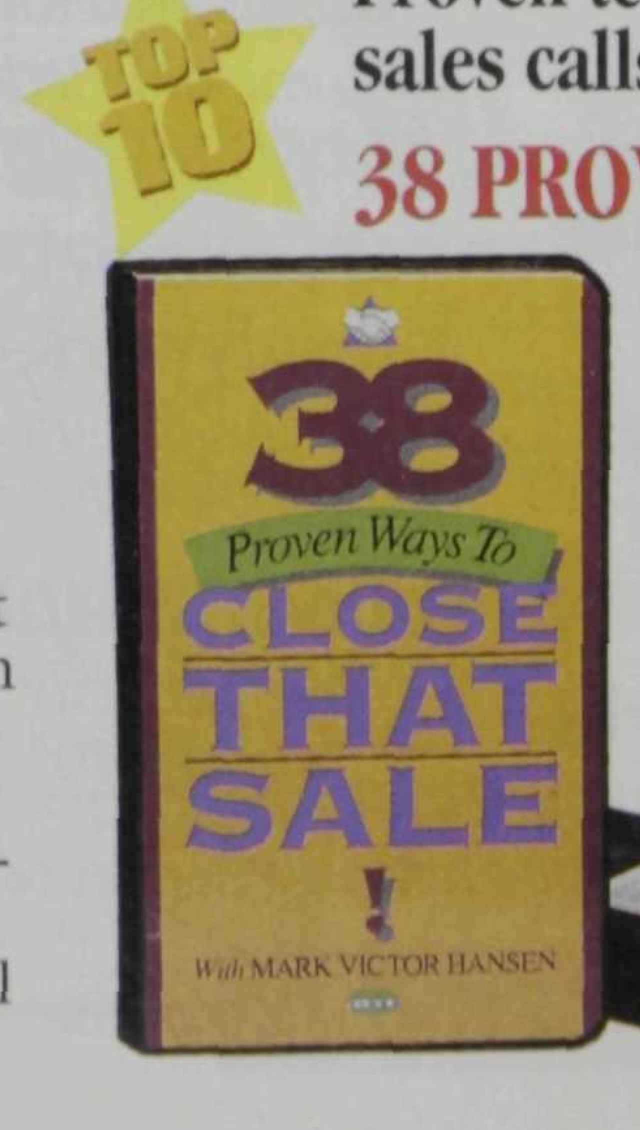
See things from the customer's point of view and increase sales.

HOW BUYERS LIKE TO BE SOLD

A remarkable video course that helps you get inside your customers' heads! Learn exactly what they're thinking, and how you can create sales techniques and strategies they won't be able to resist. Discover what gets a buyer's attention, what turns him off, what makes her say YES! These powerful tapes will boost your sales.

Proven techniques for turning sales calls into deals.

38 PROVEN WAYS TO CLOSE THAT SALE!



Boost your sales by mastering the art of the "close". This powerful video will help you overcome every potential buyer objection whether you're on the retail floor, the road, or in the office. Translate your product or service features into "must-have" benefits that will excite your customers... and help you land the big ones.

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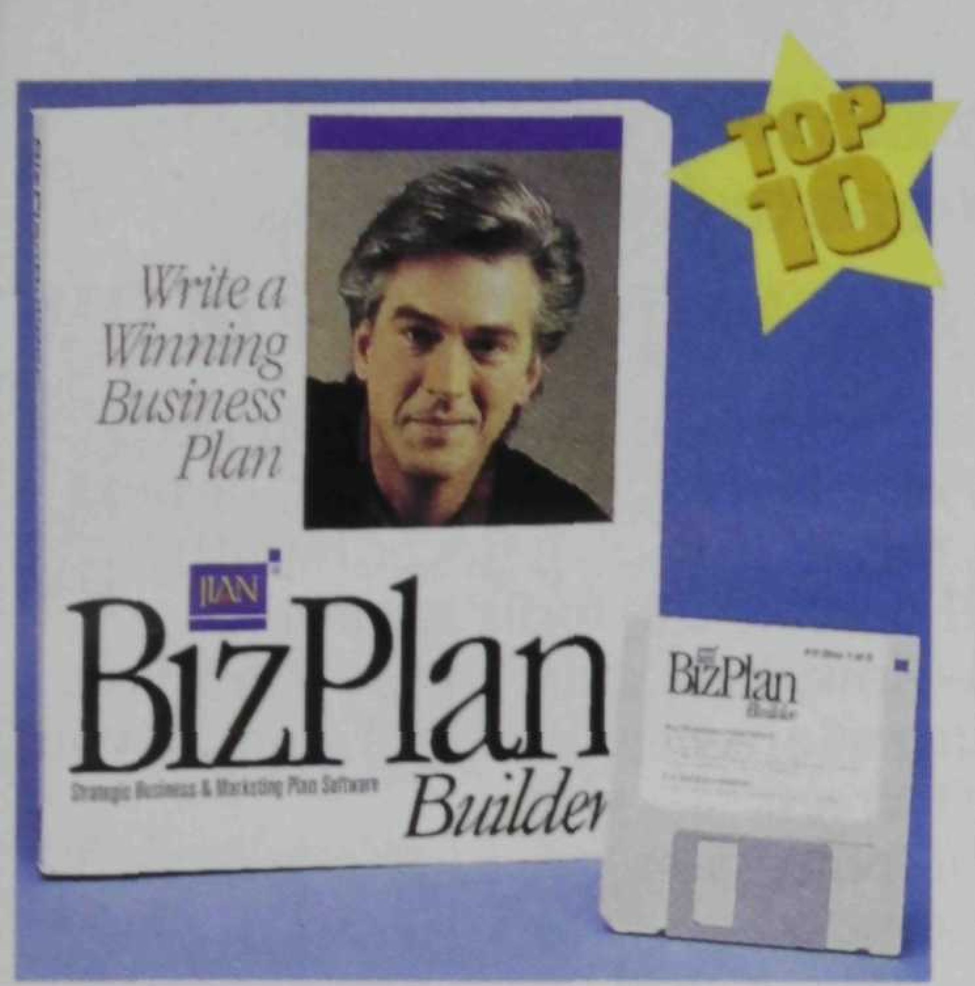

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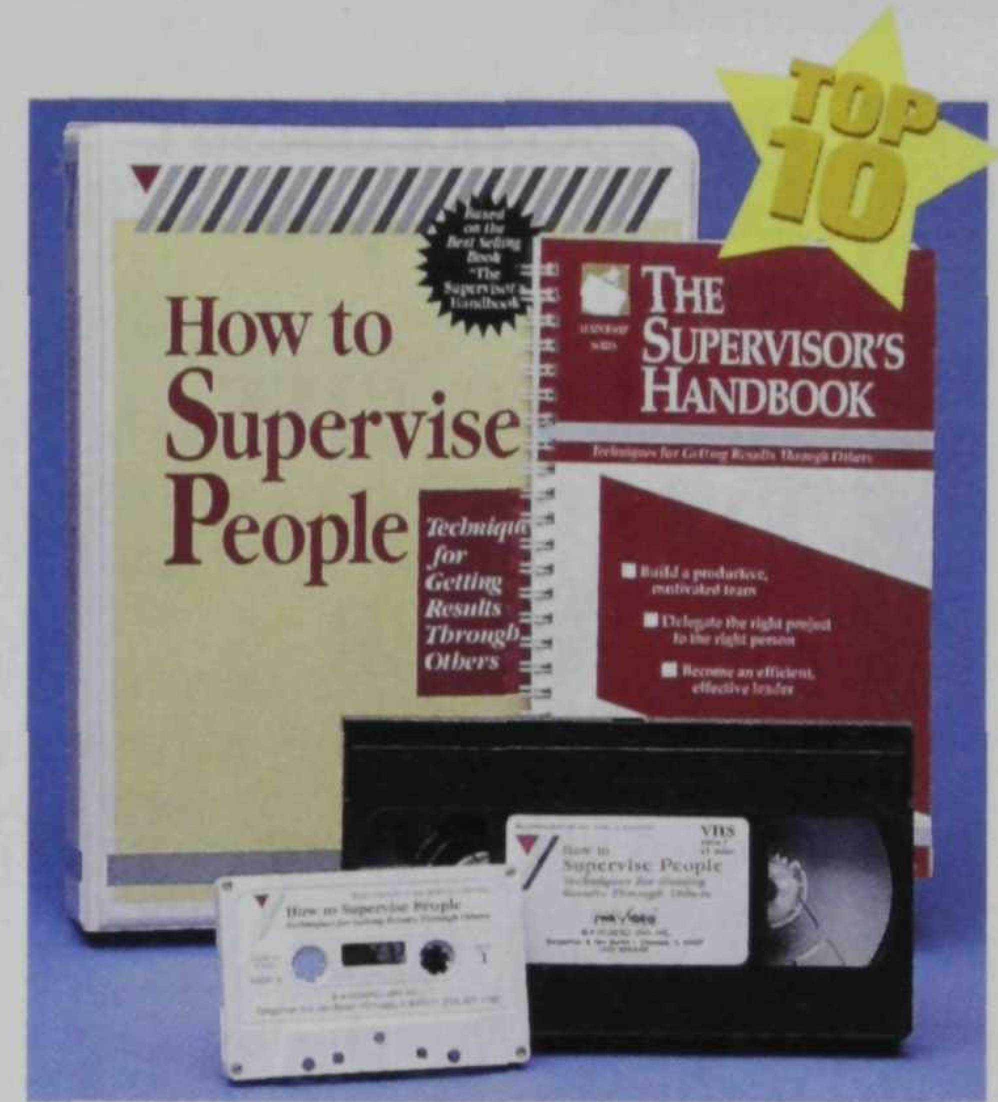

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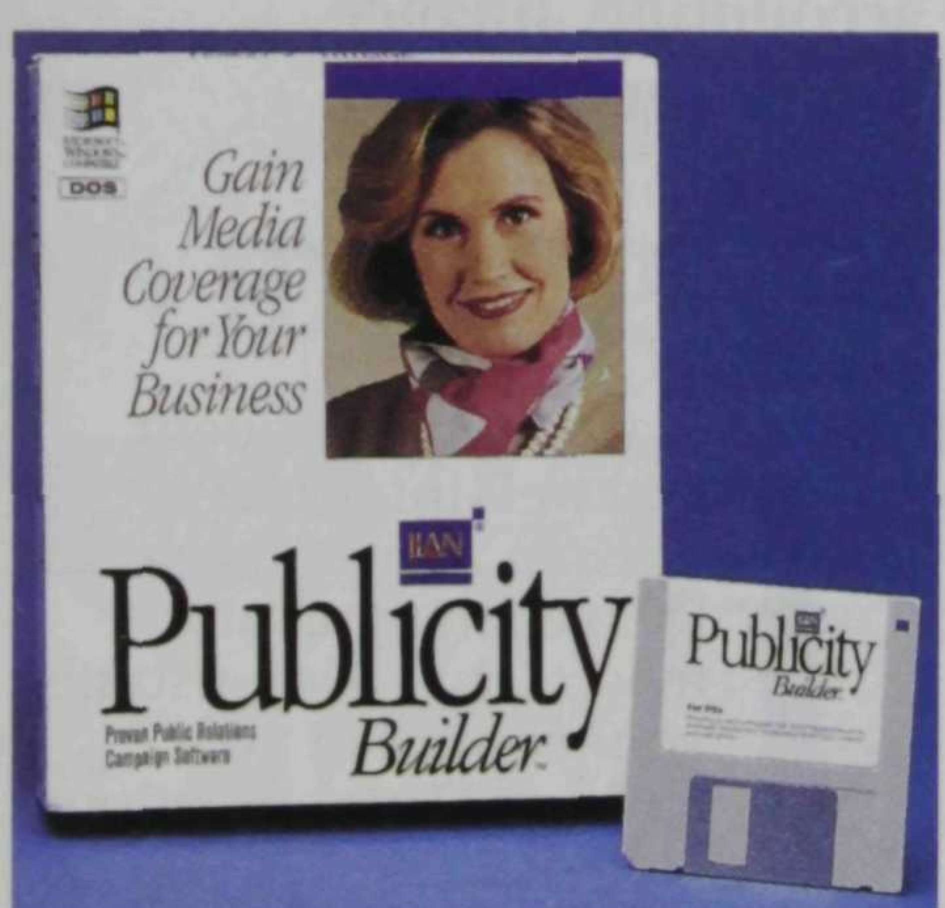

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Create public relations like a pro…without the cost of an agency!

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If you've always wondered how some companies are always reaping the benefits of free publicity, this valuable product will make it possible for you to obtain the same benefits. Put your company's story into business journals, consumer magazines, newspapers, radio and television. Developed by a public relations professional, this software helps you get your name—quickly and inexpensively—in front of the people you want most to impress.

A powerful customer retention tool!

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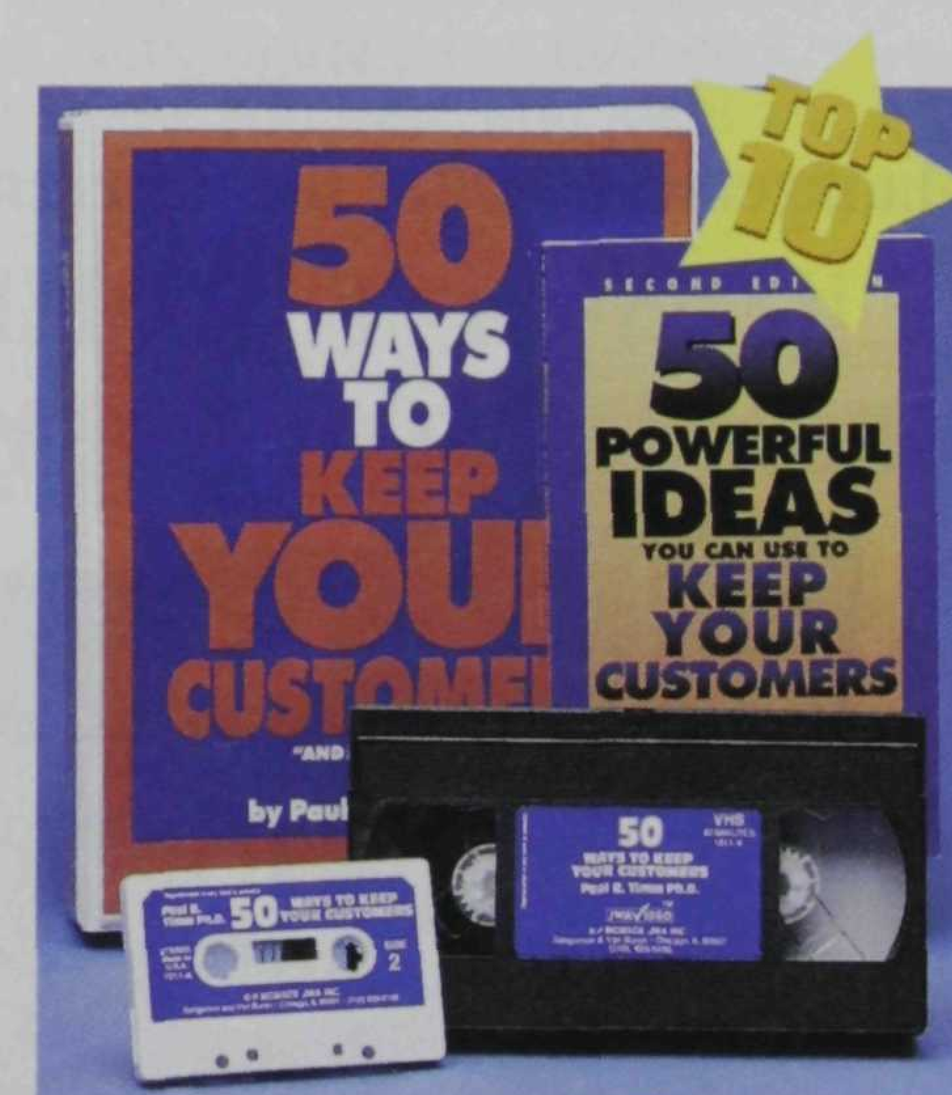
Fifty super techniques that keep your customers—and employees—happy. You can turn every customer into a lifelong client with this best-selling video workshop. Must viewing for owners, managers, salespeople, telemarketers, office staff—everyone who deals with customers in person or by phone. Segmented into easy viewing sections.



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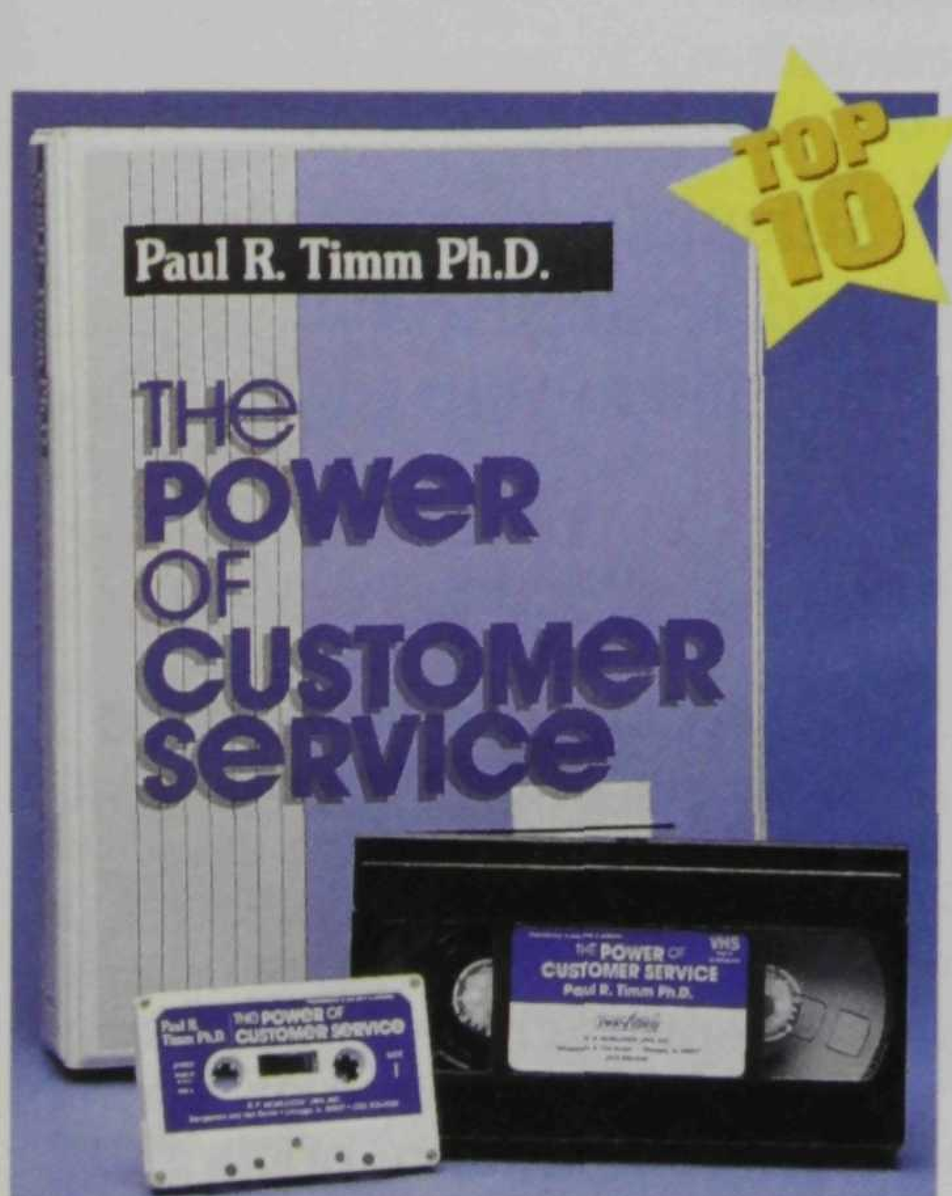

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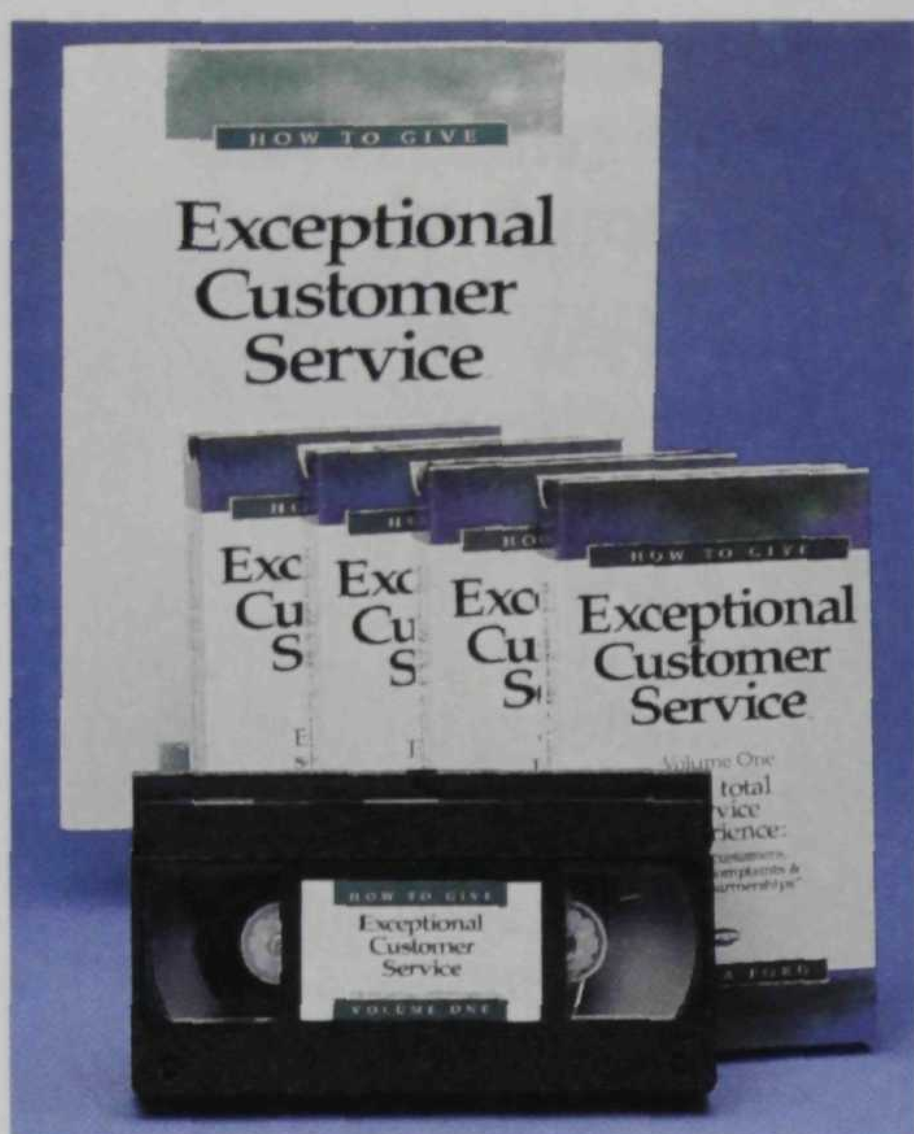

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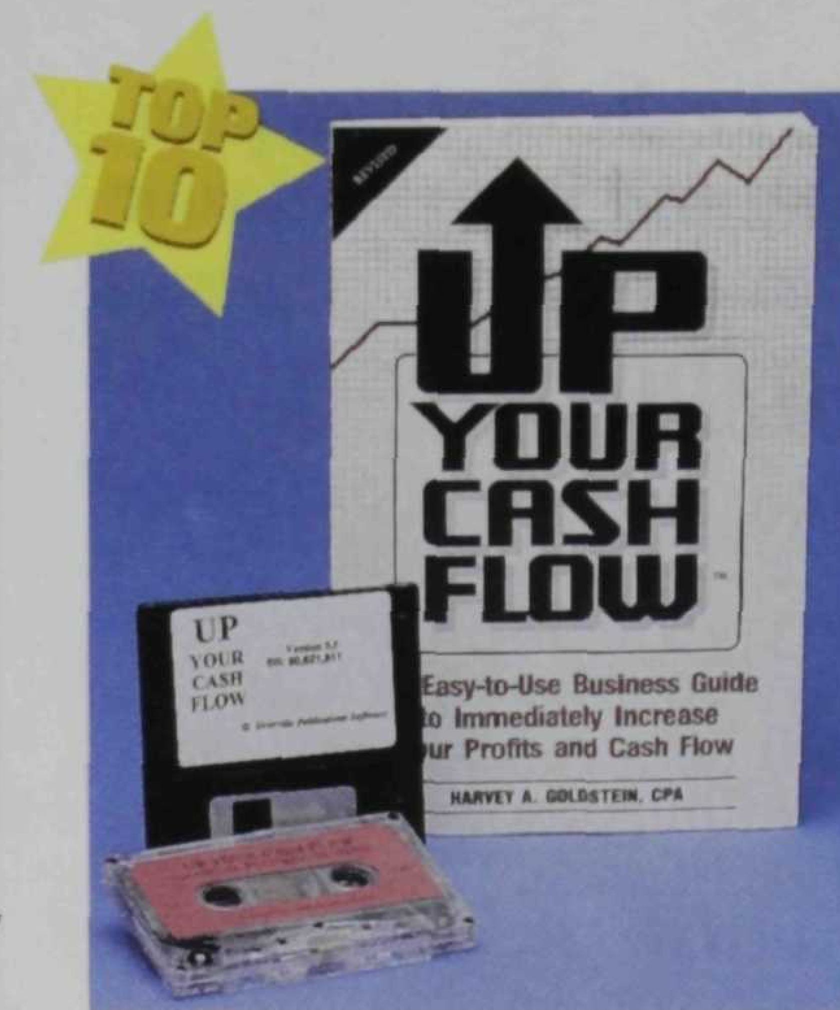

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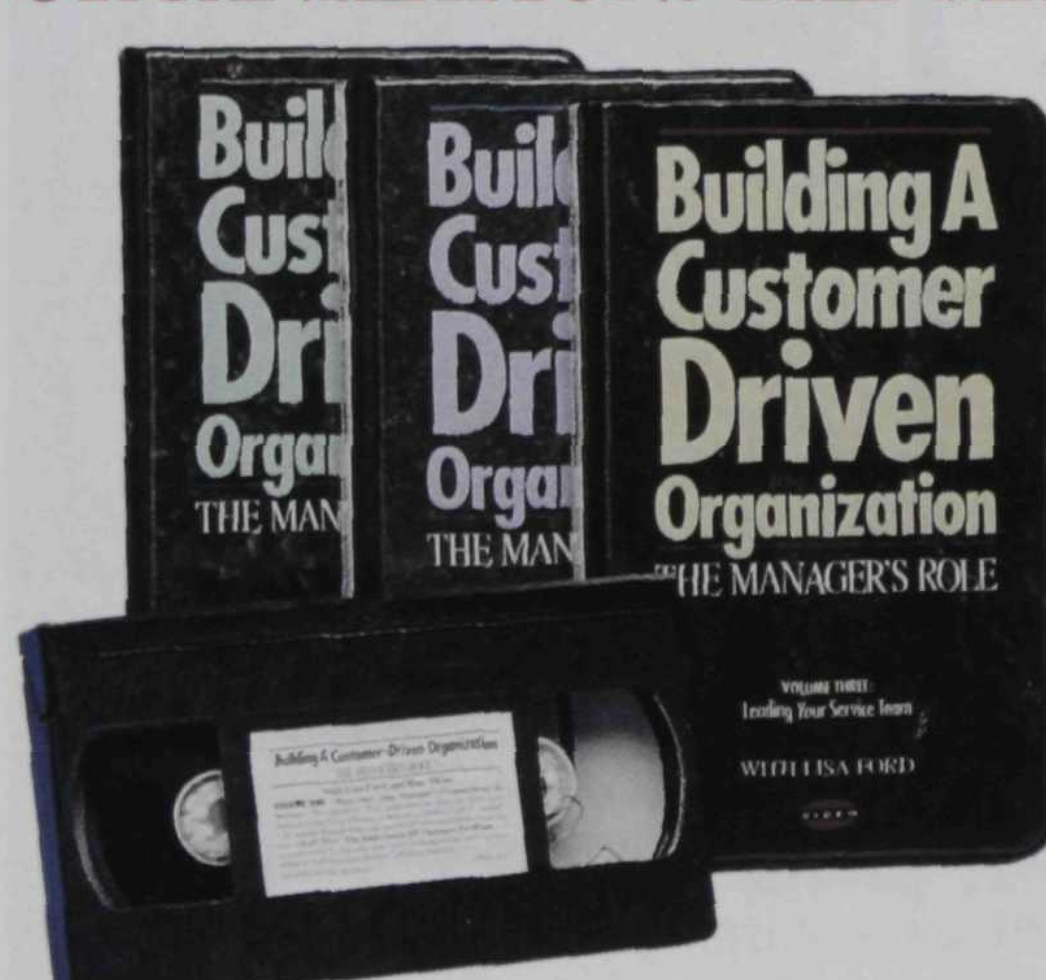

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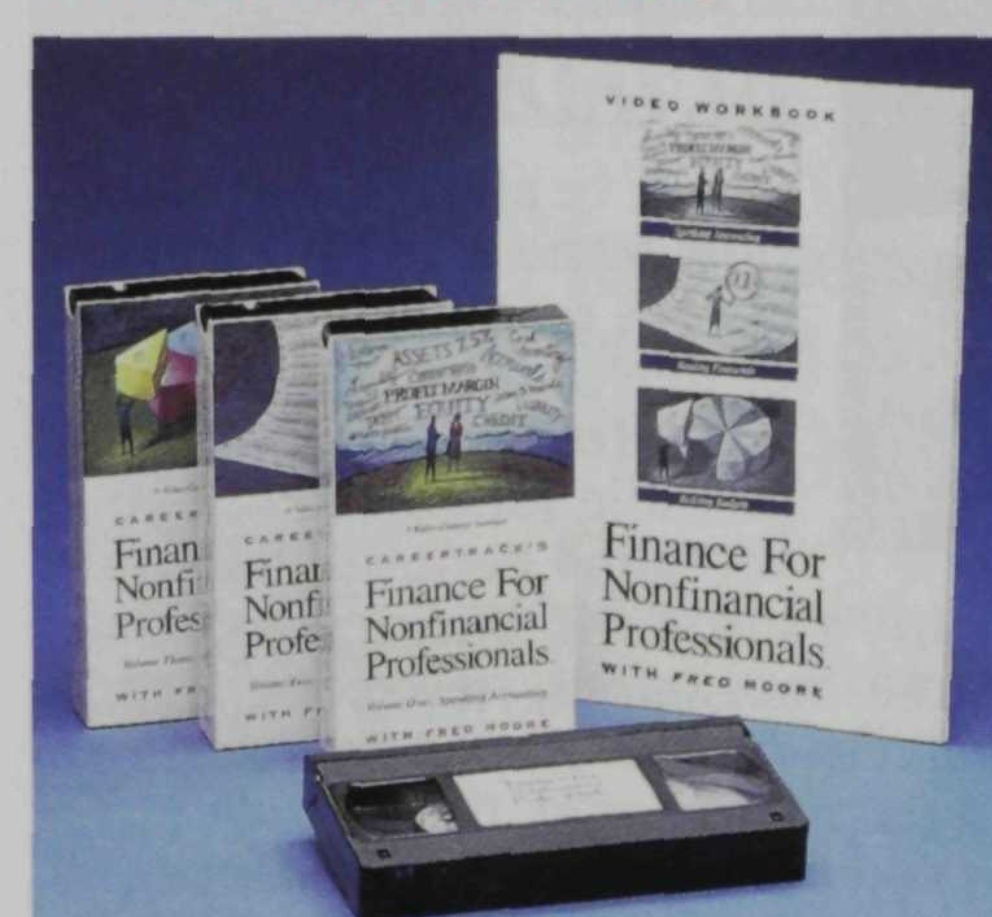

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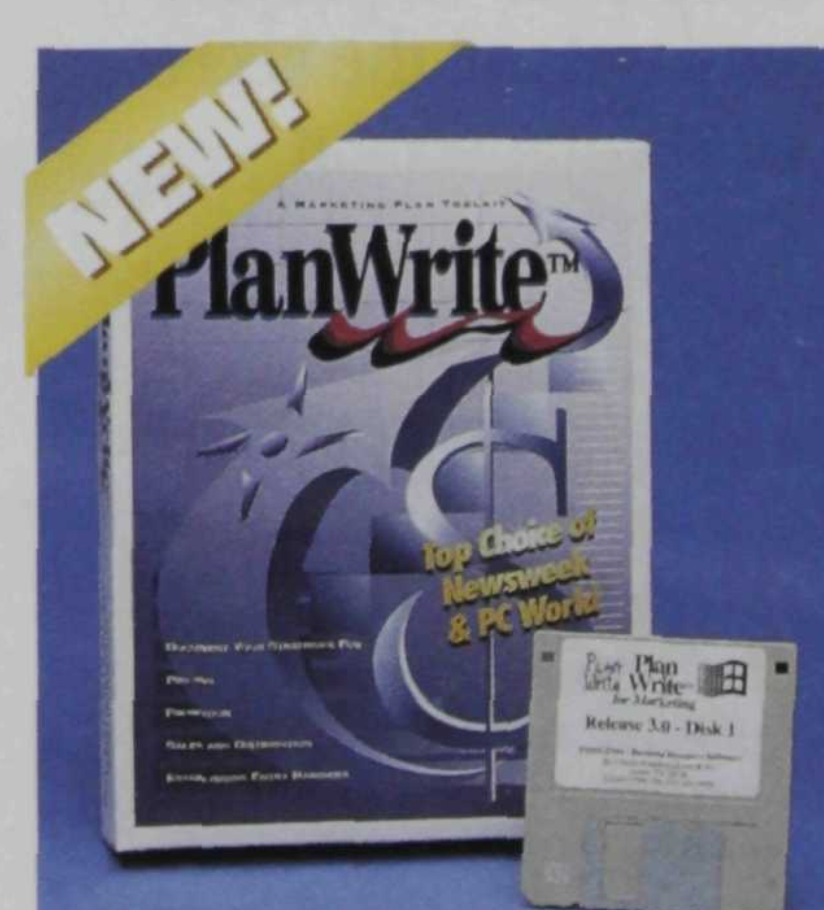

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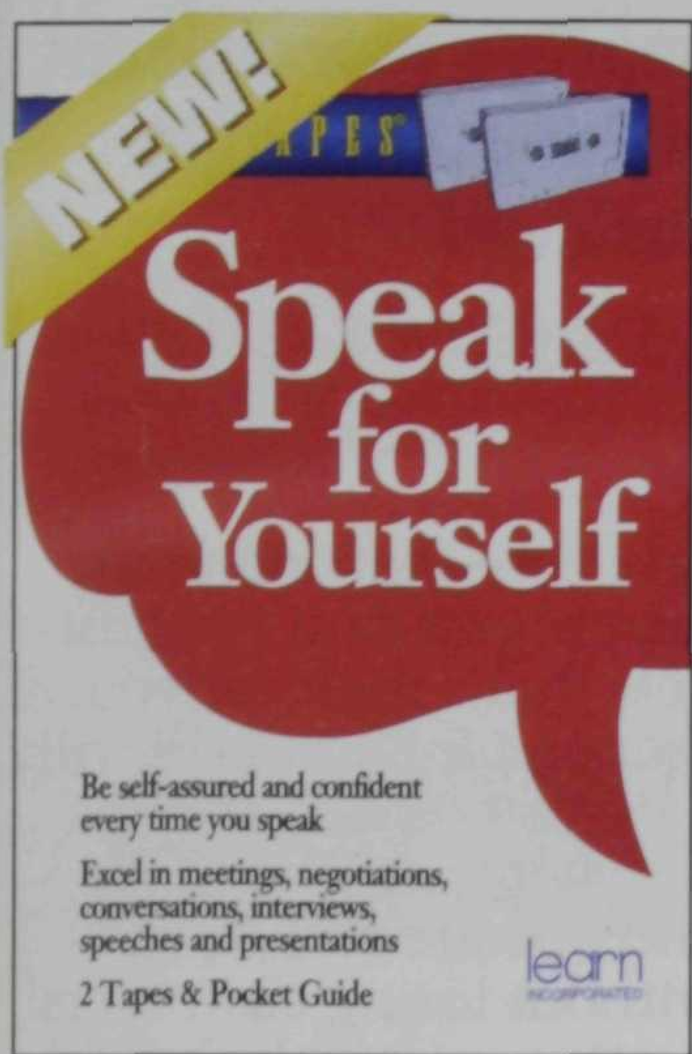

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Why sit on the sideline? Now you can stand up and speak with confidence! The ability to captivate an audience of one or 100 is not a natural talent. It's a skill you can learn—quickly and easily—in the comfort and privacy of your home.

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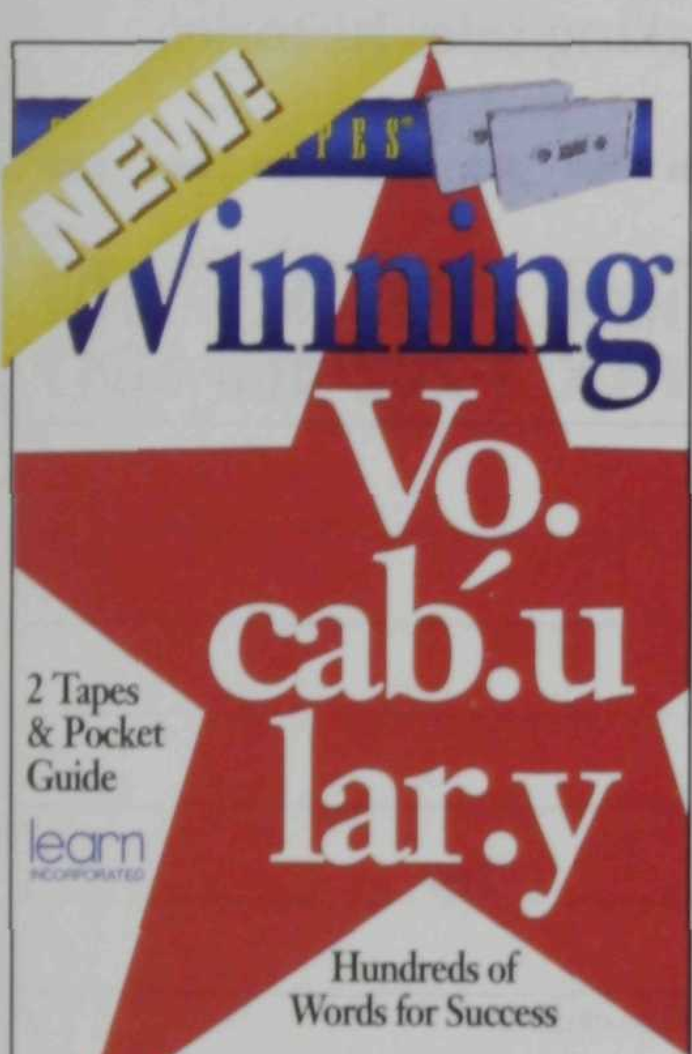

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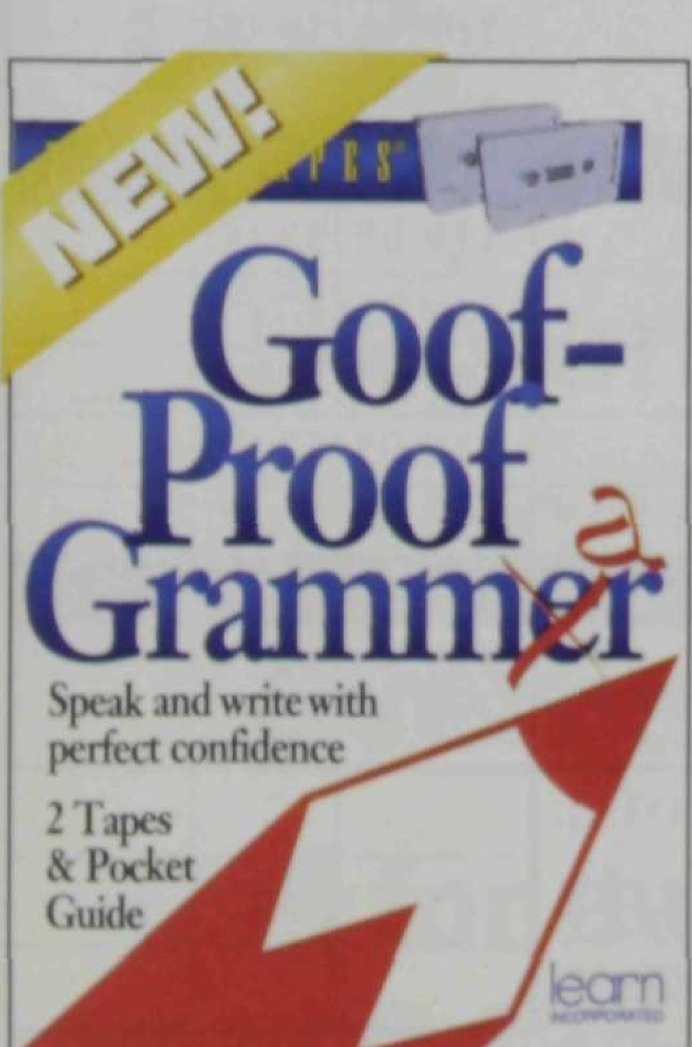

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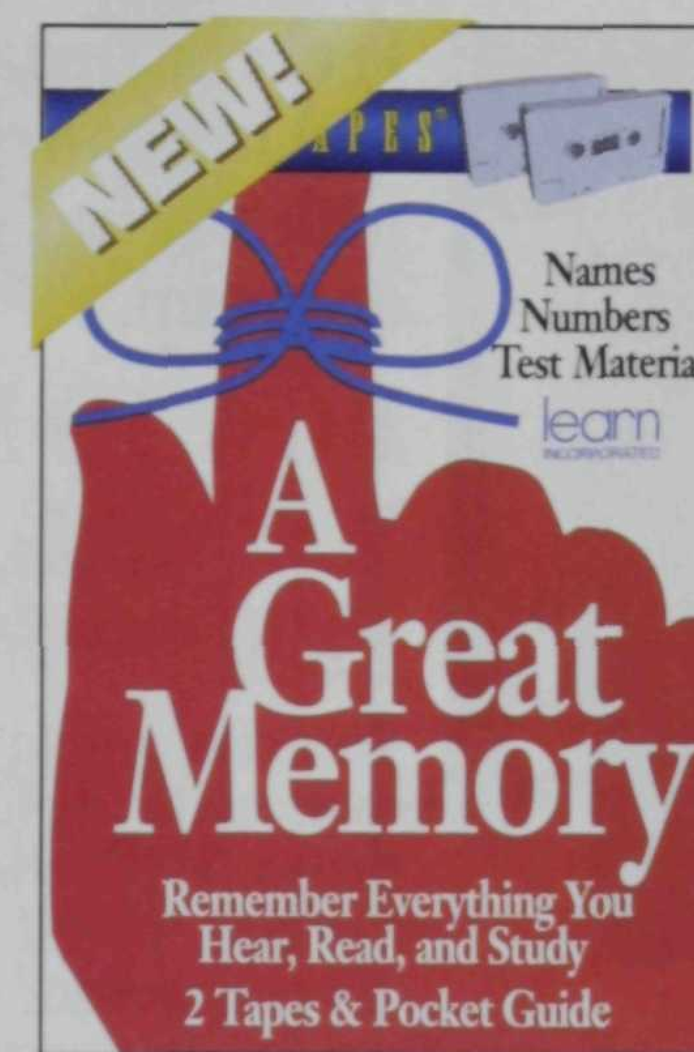
We'll show you seven places you *must* use a comma, when it's okay to end a sentence with a preposition, and the *right* way to use a semicolon. We go straight to the grammar trouble spots and answer the nagging questions that plague you whenever you speak or write. Every guideline is short, simple, and easy to remember. You'll learn to find your errors and fix them in just minutes. With these simple guidelines, grammar finally makes sense!



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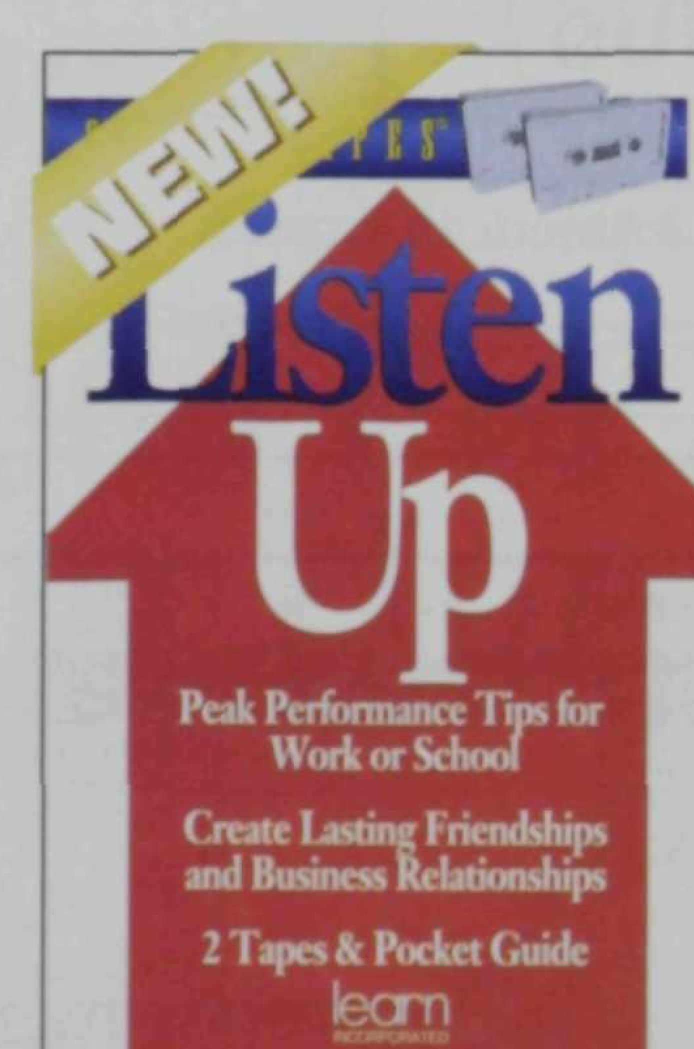

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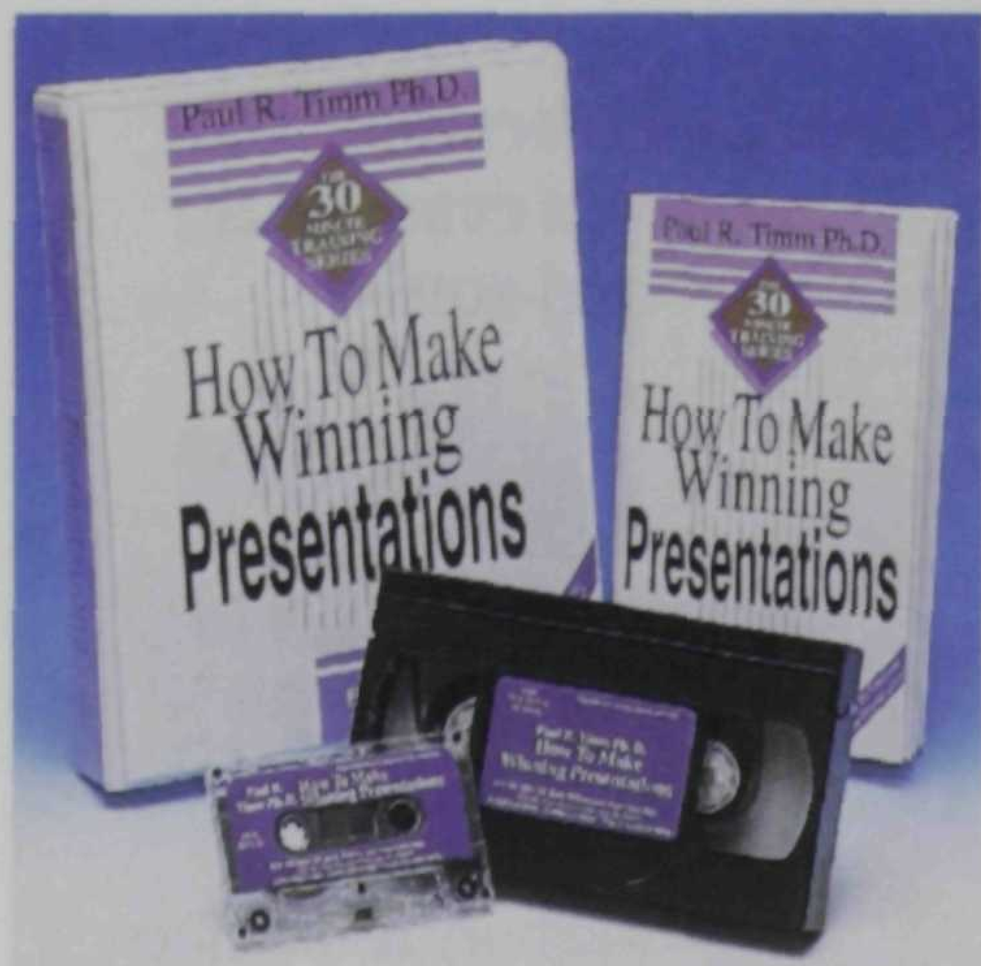

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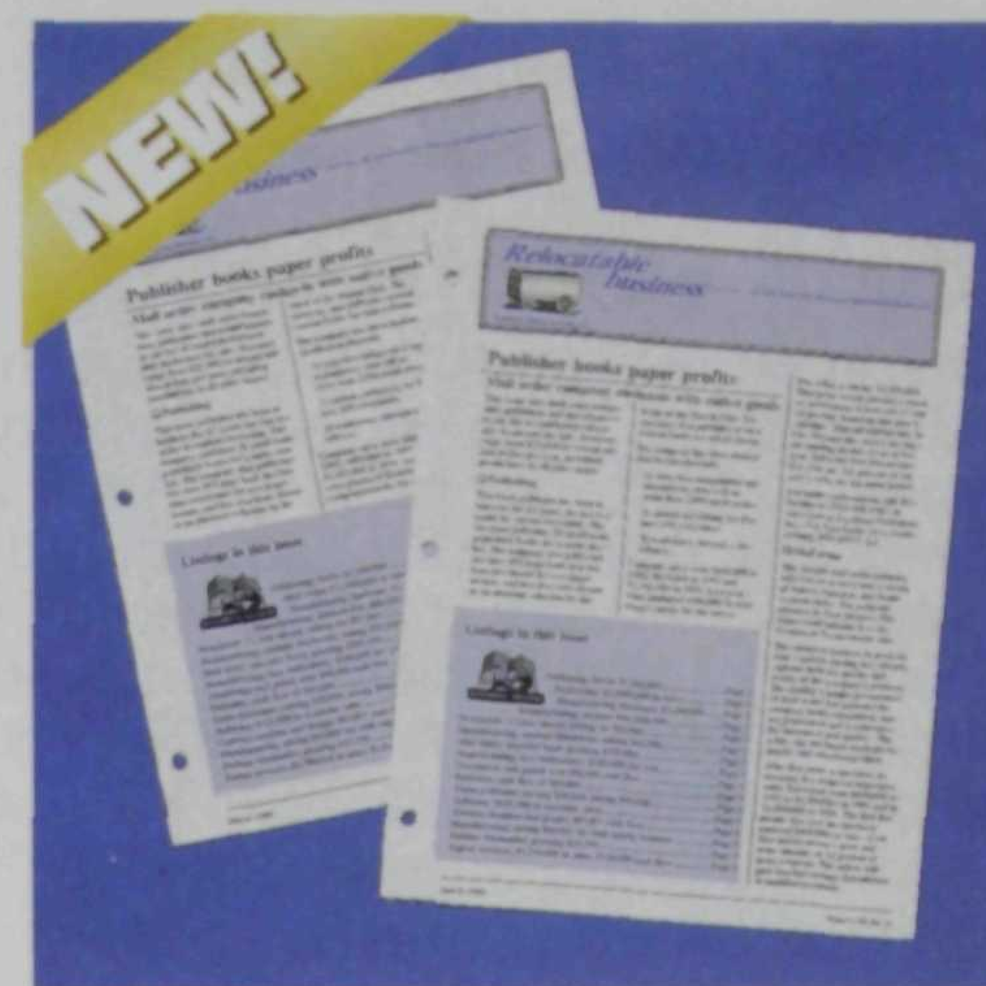

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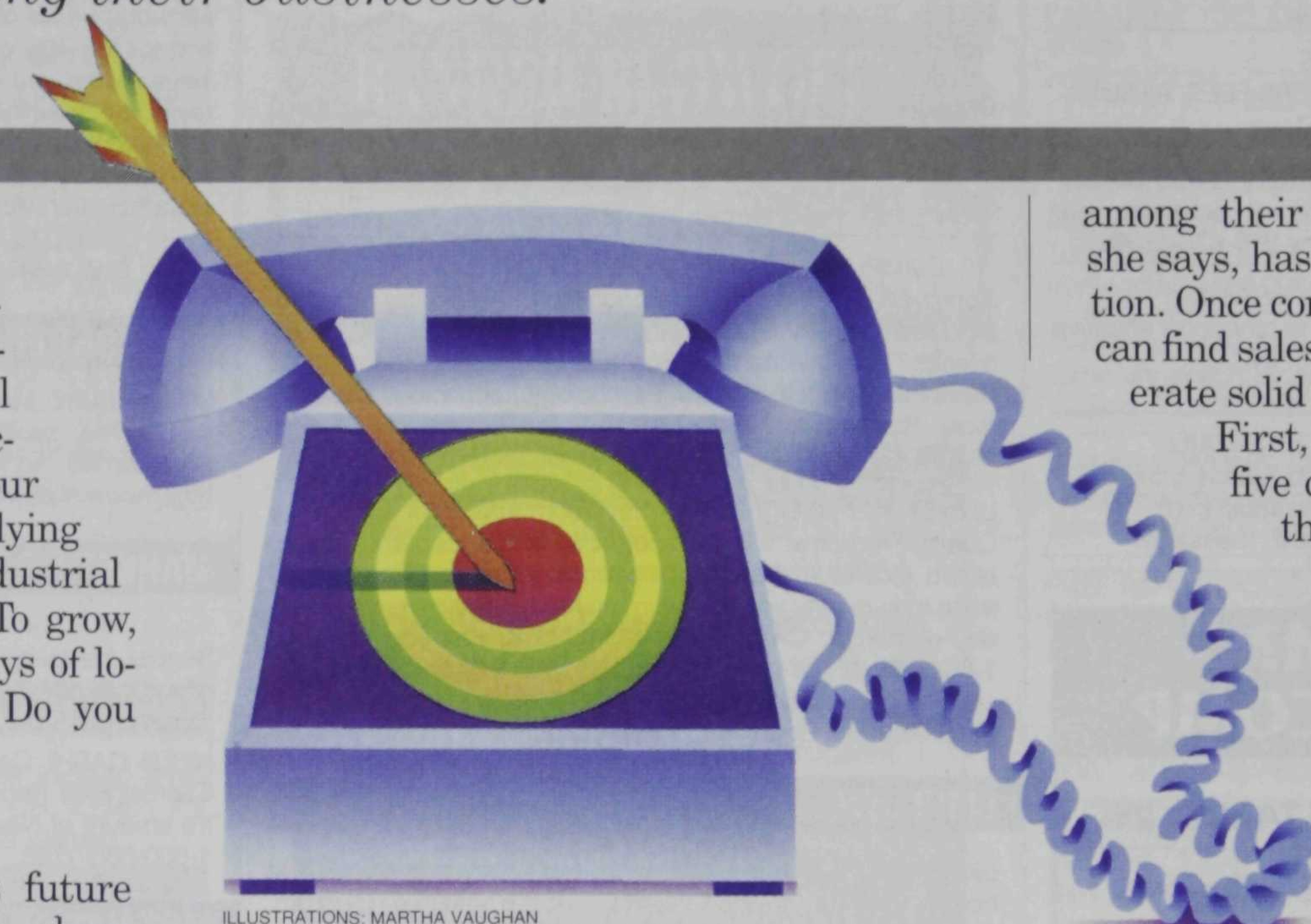

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Our company makes protective work gloves, and we employ five telemarketers to sell our product to other manufacturers. We have focused our sales efforts broadly, often relying on books that list U.S. industrial firms to identify prospects. To grow, we need to identify other ways of locating potential customers. Do you have any suggestions?
A.W., Houlton, Maine

You'll know where to focus future sales efforts if you examine where you've done well in the past, says Mary Pekas, president of Telemarketing Institute Inc., a Lake Norden, S.D., sales consulting firm.

Pekas, who helps companies improve telemarketing operations, advises that you bear in mind this marketing rule of thumb: For most firms, about 80 percent of revenues come from 20 percent of the customer base. Any company that can identify similarities among their most valuable customers, she says, has valuable strategic information. Once correlations are identified, you can find sales-prospect lists that will generate solid returns.

First, she suggests, identify the five categories of manufacturers that have accounted for the most sales the last few years. If possible, identify those manufacturers by their standard industrial classification (SIC) codes, a government system for categorizing businesses.

Also, take note of other big-picture patterns, such as whether you tend to sell most frequently to small or large manufacturers.

Next, Pekas says, take this information to a list broker, who can research sales-prospect lists and help you purchase the rights to use one or more linked to your key strengths. (You probably can find a local list broker under the "Mailing Lists" heading in your telephone directory's Yellow Pages.)

There are more than 30,000 such lists available to businesses, says Ken Chambers, president of Marketing List Services Inc. of Minneapolis, an independent list brokerage. Chambers says purchasing a list typically costs 4 cents to 25 cents per name. Many list owners require that you buy a minimum of 5,000 names, he adds.

Like Pekas, Chambers encourages you to build on past selling successes. "Many companies large and small are not targeting their prospects as effectively as they could," he says. ■

GETTING STARTED

Detective Work

I am interested in the field of private investigation, but I do not have any law-enforcement experience. Are there any state agencies that can help me obtain my license and provide an apprenticeship?
J.F., Carle Place, N.Y.

Unfortunately, a mere apprenticeship won't do. In your state, to obtain a license you must have three years of investigative experience, generally with either a federal or local law-enforcement agency. New York, like other states, also requires detectives to pass an exam and to pay a license fee every two years. In your case, an operating permit would cost $400. To learn more about what is required, call the New York Department of State's Division of Licensing at (518) 474-4429.

Big Plans

I am debating opening a small store specializing in discount clothing for the tall and large man. How do I find manufacturers of this type of clothing?
L.D., Fayetteville, Pa.

Specialty Trade Shows Inc., a Coral Gables, Fla., company, hosts trade shows each year for buyers of big-and-tall men's and women's fashions, and attending could help you make contacts with many manufacturers at once. The shows are free to potential buyers. The company is planning two shows, one Feb. 11-14 in Miami and another Aug. 11-13 in Denver.

A manager at the company tells us it's tough to get started in this business as an independent store owner, but his firm would be glad to give you a few insights. Call (305) 443-3387.

Kicking The Tires

I am interested in starting a business that sells used automobiles. I would like to get information on what is necessary to run this type of enterprise. Is there a group that can help me?
G.R.B., West Covina, Calif.

The National Independent Automobile Dealers Association has local chapters across the nation, including one in your state. You can contact your chapter, in Sacramento, at (916) 924-5230. The national organization, in Arlington, Texas, can be reached at (817) 640-3838. ■

HOW TO ASK

Have a business-related question? Mail or fax your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062-2000; (202) 463-3102. Or transmit your question to our CompuServe address: 76436,1735. Be sure to include your address and telephone number. Because of the high volume of letters, we can answer only those that are chosen for publication. Questions may be condensed, and writers will be identified only by initials and city.

PRODUCT PRICING

Carving A Niche

I am starting a company to sell a wood-carving system that cabinetmakers can use to make intricate designs on kitchen-cabinet doors and other items. But I don't know how to price this product. There isn't a competitor on the market, so I don't have a comparable product's price to use as a guide. What should I do?
F.S., Westwood, N.J.

A mistake many entrepreneurs make when pricing a unique product is not taking into account all of the many costs associated with making it, promoting it, and getting it into the hands of purchasers. "Many entrepreneurs go off half-cocked," says Robert M. McMath, director of New Products Showcase and Learning Center Inc., a product-development firm in Ithaca, N.Y. "The biggest pitfall is not thoroughly researching the idea," he says.

McMath and other product-pricing experts tell us that if you are the only company offering a product in the market, you have an important advantage: No price wars. Experts suggest you err on the side of pricing it a little too high initially and gradually lower the price until you find one that consumers find attractive but that still leaves you with a decent profit.

However, they caution that the sky is not the limit. If you go overboard with an initial price that is too high, you are likely to attract competitors who think they can offer something similar at a lower cost.

Thomas Winninger, a Minneapolis marketing consultant, says there are some basic principles you can use as a guide to find the best price for your carving system.

Notably, remember that your price needs to cover the cost of making each unit plus your overhead and a reasonable profit, says Winninger, who is the founder of his firm, the Winninger Institute, and is the author of *Price Wars: How to Win the Battle for Your Customer* (St. Thomas Press, $24.95). Be sure to think through every cost associated with bringing your product to market, he says. For example, will you sell it yourself, or will you have to employ field sales representatives to call on potential customers? Also, will you have to provide after-sales services such as repairs to your customers?

Winninger thinks you likely will find that the price that takes all of this into account will be between four and five times your per-item cost.

However, your work isn't done until you have some outside input, he says. Consider testing your product in one or two regions to see how potential customers respond to your asking price. Also, you could establish and seek input from an advisory board of independent sales representatives who work with cabinet manufacturers. Because sales reps already interact with your target customers, they should have a good feel for what those customers might be willing to pay. NB

Editorial

Obstructionism Is Not Good Policy For 1996

In addition to choosing among candidates, voters in state and local elections often decide policy issues posed as initiative or referendum questions. These may deal with changes to a state constitution or a city charter, with borrowing money, or with limiting government power.

No such arrangements exist for determining voter preferences on policies facing the federal government. The choice is limited to specific candidates for president and Congress, and individuals casting ballots select the candidates they believe will best reflect their views on the issues.

ILLUSTRATION: ©ROSEANNE PERCIVALLE-SIS

But voters in these elections frequently do far more than simply indicate a preference for a chief executive, senator, or representative. Their collective decisions point strongly, just as if they had expressed them in a referendum, to the policies they expect to be adopted.

If the basic questions underlying this November's election were to be spelled out as questions for voter decisions, they would read like this:

■ Republicans won control of Congress in 1994 with a pledge to roll back federal spending, taxation, and regulation. Does their performance thus far entitle them to further service during which they can continue implementing their program? Or does it demonstrate that their goals cannot be achieved without excessive harm to various sectors of society and that they do not deserve another chance?

■ Should the present divided government, in which the presidency and the Congress are controlled by different political parties, be continued as a way of preventing either branch from gaining too much power? Or would the nation be better served at this point if the president and the Congress were united behind the same goals?

Although they won't appear on the ballot, these questions will be central to this year's election campaign.

The Republican message to voters will understandably be an appeal not only to maintain and expand the GOP majorities on Capitol Hill but also to elect a Republican president to assure that measures passed by Congress are not thwarted by vetoes. They will point to the many impasses that developed during 1995, when President Clinton rejected major congressional initiatives.

Democrats, on the other hand, will maintain that Republicans want to go too far in their overhaul of government and that voters would be better off by re-electing Clinton and restoring legislative control to his party.

Those conflicting political goals will be much in evidence as the legislative year unfolds. Candidates of each party will understandably be trying to forge the record that each thinks will be most compelling in a re-election campaign. Voter judgments based on candidates' records are the essence of democracy.

At the same time, however, the president and members of Congress must realize that election year or not, political considerations must remain secondary to legislative achievement. This Congress was sent to Washington to carry out commitments that a majority of its members made as candidates, and that process must continue.

Unfortunately, the president has already given indications that he believes his political survival lies in blocking, or at least diluting, actions taken by Congress to further that program.

He should realize that in a year in which new approaches to old problems are the key to electoral success, a policy of politically motivated obstructionism is not a very solid basis for a re-election campaign. NB

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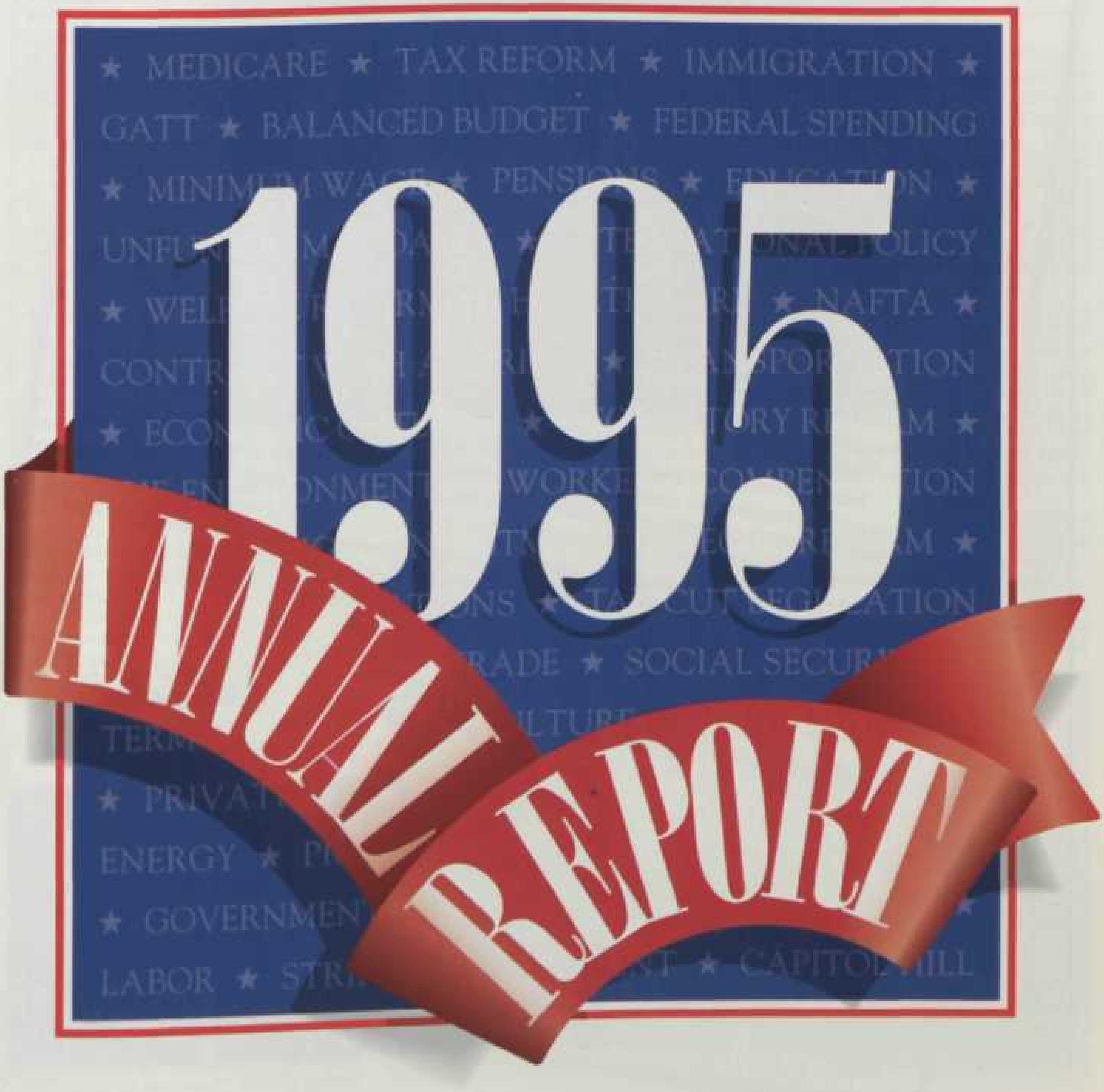


The United States Chamber of Commerce

Dear Chamber Member:

As many business managers have learned, a strong and clear focus is absolutely essential to achieving a goal. In 1995, we dedicated ourselves to helping this organization maintain that type of focus.

Our goal was to help change the direction of the federal government—from one operating consistently beyond its means to one operating within its means, and from one more concerned about restraining business than about unleashing it to create jobs and compete effectively in the global marketplace.

Members of the U.S. Chamber of Commerce should be proud of the progress that this organization made last year toward realizing this goal. Debates among federal lawmakers and the administration no longer center on whether to balance the federal budget but on how to balance it. This, in itself, is a major achievement, and the U.S. Chamber has played a leading role in moving the debate to this point. We must continue our commitment to getting and keeping this nation on course toward a balanced budget.

Among other high Chamber priorities, we won the enactment of laws to reduce paperwork required by the federal government and to limit unfunded mandates imposed by lawmakers on the public and private sectors. In fact, the Chamber was directly responsible for the inclusion of the private-sector protections included in that legislation. (For more information on the Chamber's legislative achievements, see Pages 3A to 5A. Also, see the summary of our victories in the courts on Pages 14A and 15A.)

Policy makers in Washington are beginning to understand that undue restraints on companies do not encourage business expansion. We have consistently hammered home this point, but we must do more to further their understanding on this and other marketplace realities. Doing so must and surely will remain a top Chamber priority in 1996.

Your continued help and support as members of this great organization are vital. We cannot afford to lose the precious ground we gained in 1995. Through active involvement in the Chamber, you can help keep this nation advancing in a way that fosters free enterprise and ensures that U.S. businesses will remain top global competitors far into the future.

Dennis W. Sheehan

Dick Lesher

Dennis W. Sheehan
1995-1996 Chairman

Edwin Lupberger
1995-1996 Vice Chairman

Richard L. Lesher
President

■ Legislation

Chamber Helps Advance Members' Top Priorities

R. Bruce Josten, center, the U.S. Chamber's senior vice president for membership policy, voices the business federation's support for the Republicans' balanced-budget proposal, including tax cuts, at a news conference on Capitol Hill. With Josten are Sens. Don Nickles, R-Okla., far left, and William V. Roth Jr., R-Del., right.

The U.S. Chamber of Commerce helped achieve favorable results for its members on several of their highest legislative priorities in 1995.

Among those accomplishments were:

■ Approval by both houses of Congress of legislation leading toward a balanced federal budget by 2002.

■ Enactment of pro-business laws that limit unfunded federal mandates, reduce government-required paperwork, establish and begin funding for development of a national highway system, and require Congress to abide by the major employment and safety laws it has imposed on other public-sector employers and on businesses.

■ Advancement in Congress of other measures long sought by business, such as reform of product-liability laws and authority for the president to veto line items in appropriations bills.

"In addition, the 104th Congress did not harm business," says R. Bruce Josten, the Chamber's senior vice president for membership policy. "No new regulations, rules, mandates, or taxes were imposed on companies. After decades of fighting government encroachment in the private sector, this Congress was a welcome relief.

"Also, under this Congress and with our help, the nature of the debate on Capitol Hill changed. No longer are lawmakers talking about whether to balance the budget but about how and when; the issue is not about whether to slow the growth of spending, including for entitlements such as Medicare, but about where and by how much; and the issue is not about whether government should be smaller but about how much smaller."

Winning passage by both houses of Congress of legislation to balance the federal budget by 2002 was a major turning point in the move by the Chamber and congressional leaders to shrink the growth and cost of government.

While President Clinton vetoed the Balanced Budget Act sent to him in December, there was still hope at press time that administration and congressional negotiators could work out their differences on the matter.

Whatever the outcome, the Chamber played a major role in advancing the debate, with its leaders serving as close advisers to key lawmakers developing strategy on the budget issue.

The organization also served as co-chair—with Citizens for a Sound Economy, a Washington-based public-interest advocacy organization—of the Coalition for a Balanced Budget. The coalition represents nearly

Continued on Page 4A

Annual Meeting Set For Feb. 26

The U.S. Chamber of Commerce will hold its 1996 annual meeting Feb. 26 at its headquarters in Washington.

The meeting is from 12:40 to 2 p.m. Eastern time and will be broadcast by satellite to locations throughout the country. There is no registration fee for U.S. Chamber members. The meeting will include presentations by Republican and Democratic lawmakers on the outlook for the 1996 elections and on the upcoming legislative agenda.

The four 1996 national honorees in the Blue Chip Enterprise Initiative will also be recognized. (Watch for the list of state honorees in the March *Nation's Business*.) The initiative, sponsored by Connecticut Mutual Life Insurance Co., the U.S. Chamber, and *Nation's Business* magazine, recognizes small businesses that have overcome adversity.

For the location of the satellite downlink nearest you, or for more information about the meeting, call (202) 463-5580 or (202) 463-5604.

New Laws Will Help Business

Continued From Page 3A

1,000 diverse organizations nationwide.

The congressional budget plan vetoed by Clinton would have restrained federal spending by $960 billion and cut taxes by $245 billion over seven years.

A major component of the bill was reform of the Medicare system. According to figures from a report by the trustees of the Medicare Hospital Insurance Trust Fund, the system will go broke by 2002 unless revenue supporting the system rises or the growth in spending for Medicare benefits is controlled.

The plan approved by Congress would have reduced the projected growth rate of Medicare spending from 10.4 percent annually over the next seven years to about 6.5 percent. The plan would also provide various coverage options for benefit recipients.

The budget bill contained many provisions long sought by the Chamber on behalf of business, including an overhaul of the welfare system, reform of U.S. farm policy, and simplification of pension laws.

Another provision long supported by the Chamber would have allowed oil and gas exploration and drilling in part of the Arctic National Wildlife Refuge in Alaska.

Among the $245 billion in tax reductions included in the legislation and supported by the Chamber were provisions that would:

- Cut the capital-gains tax.
- Provide a $500-per-child tax credit.
- Overhaul the alternative minimum tax.
- Reform estate and gift taxes.
- Make it easier for companies to organize and operate as S corporations.
- Increase the small-business expensing allowance for equipment.
- Expand individual retirement accounts.

The Clinton administration balked at many of those provisions, insisting on a smaller tax cut targeted to the middle class. The administration's latest plan also does not address the huge growth in entitlement spending.

Here's a summary of the business-backed laws the Chamber helped get enacted in 1995:

Rep. E. Clay Shaw Jr., R-Fla., above right, announces the introduction of the House GOP welfare-reform bill at a press conference at the Chamber. At left is Jeffrey Joseph, U.S. Chamber vice president for domestic policy.

Willard A. Workman, U.S. Chamber vice president/international, urges a congressional panel to renew China's most-favored-nation trade status.

Unfunded Mandates

The Unfunded Mandates Relief Act, cited in a 1995 survey of Chamber members as their No. 1 priority, cleared the Senate by a vote of 86-10 on Jan. 29 and the House by 360-74 on Feb. 1, 1995. President Clinton signed the measure into law March 22.

The statute requires the Congressional Budget Office to conduct a cost-impact analysis of any federal legislation or regulation that would cost businesses collectively more than $100 million to comply with, or state and local governments more than $50 million.

Without such an analysis, measures that would impose an unfunded mandate with a cost at or above those levels could be stopped by the objection of any member of Congress.

The Chamber was instrumental in securing the private-sector provisions included in the measure, which originally protected only state and local governments. The Chamber also persuaded the National Governors' Association to support the private-sector provisions, which was key to their inclusion in the bill.

Paperwork Reduction

Reauthorization of the Paperwork Reduction Act of 1980 represented another major accomplishment for the Chamber.

The act, which had expired in 1989, limits the amount of paperwork that the federal government can require of businesses and individuals. It was reauthorized for six years.

The reauthorization, which took effect Jan. 1, requires federal agencies to reduce the amount of paperwork they require the public—including businesses and individuals—to fill out by 10 percent in 1996 and another 10 percent in 1997. Five percent annual reductions are required in the remaining four years.

The law requires agencies to substantiate their estimates of the burden on the public for each new paperwork requirement.

In addition, it reverses a 1990 U.S. Supreme Court ruling that determined that the paperwork act controlled only agency requests for business to disclose information to the federal government, not requests to disclose information to third parties such as local police or fire departments.

Like the unfunded-mandates law, the paperwork act was approved overwhelmingly by both houses of Congress and signed into law by Clinton.

National Highway System

In a yearlong battle, the Chamber helped gain enactment of a highway law that establishes the 160,000-mile National Highway System (NHS) and provides the states with $11.7 billion for fiscal 1996 and 1997 to improve, maintain, and repair roadways and highways that connect to rail hubs, airports, and port facilities.

The Chamber co-chaired a coalition of businesses backing the NHS and helped eliminate a provision in the Senate-approved bill that would have allowed states to use federal Highway Trust Fund dollars for Amtrak's operating and capital budgets.

The NHS, says the Chamber, will create thousands of jobs by expanding markets for American products, reduce U.S. transportation costs, increase industrial productivity, and improve American competitiveness at home and abroad.

Rep. Bud Shuster, R-Pa., above center, talks with the U.S. Chamber's Jody Olmer, left, and Rodney Slater, head of the Federal Highway Administration, about legislation creating a National Highway System. With strong Chamber support, the measure was passed by Congress and signed by President Clinton in 1995.

U.S. Chamber human-resources attorney Nancy Fulco congratulates Rep. Rob Portman, R-Ohio, on the passage of the Unfunded Mandates Relief Act, one of the business federation's top priorities in 1995.

Health-Care Deduction

On the employee-benefits and tax fronts, the Chamber helped win reinstatement and expansion of the tax deduction for health-insurance costs for the self-employed or those who own unincorporated businesses. The deduction had expired at the end of 1993.

The original law, enacted in 1986, allowed a 25 percent deduction. The new law extends the deduction at that level for 1994 and increases it to 30 percent for successive years. The 30 percent level then becomes permanent.

The Chamber has urged that the deduction be expanded to 100 percent—the same as for incorporated businesses.

Congressional Reform

The backing of the Chamber was instrumental in securing passage of legislation to require Congress to comply with 11 federal employment and workplace-safety laws from which it was previously exempt.

Among the statutes that Congress now must obey are the federal minimum-wage law, the Civil Rights Act of 1964, the Americans with Disabilities Act of 1990, the Occupational Safety and Health Act of 1970, and the Family and Medical Leave Act of 1993.

The Chamber has long held that Congress should have to comply with the same laws it imposes on businesses and individuals so that it would have a greater appreciation of the problems associated with the measures.

The business federation also supported the House Republicans' adoption of term limits for their committee chairmen, abolishment of legislative service organizations, and cuts in congressional staff.

Progress On Other Measures

Several other bills supported by the Chamber were passed by both houses of Congress in 1995 but remain in conference, where differences between House and Senate versions of the legislation must be resolved.

Among the bills the Chamber hopes will be approved early in 1996—if the conference committees can reach agreement—are measures to give the president authority to veto line items in spending and tax bills, to reform the nation's product-liability laws, to consolidate nearly 100 federal job-training programs into block grants to be turned over to the states, and to overhaul telecommunications laws.

With the Chamber's support, Congress also made significant progress on legislation to overhaul the federal regulatory process, reform the Clean Water Act, and to allow companies to form cooperative labor-management teams.

On a matter that could have hurt U.S. businesses, the Chamber helped thwart attempts by some in Congress to deny most-favored-nation trade status to China.

President Clinton renewed China's MFN status, which expired July 3, without conditions.

Congress is not required to approve MFN status for countries, but it can deny it with a vote of two-thirds of both houses.

Most-favored-nation status is routinely granted to most nations that trade with the U.S. and does not convey any special trade privileges.

Opposition to MFN status for China came from lawmakers concerned about China's record on human rights.

■ Thanks

Lawmakers Praise Members For Chamber's Critical Role

Often, the value of an organization's work is best defined by others. Here's how some of the movers and shakers in Congress described the Chamber's work in 1995.

"I would like to extend my sincere thanks to your membership for the key role they have played in ensuring the [Contract With America's] passage. Few organizations have been as critical to our mission of reducing the size, cost, and reach of the federal government [as] the U.S. Chamber of Commerce. ... The Chamber should be proud of the assistance it has provided to the majority leadership and the full U.S. House of Representatives in this revolution for the American people. I am proud to be a friend and supporter of the U.S. Chamber."

—Ohio Rep. John A. Boehner, Chairman, Republican Conference

"Without a doubt, the Chamber of Commerce of the United States has been a major force in our efforts to bring dramatic changes to the way our federal government operates. My colleagues and I greatly appreciate the consistent and extensive support your membership has given us [in advancing] the Contract With America."

—House Majority Whip Tom DeLay, R-Texas

"I, as a member of the 104th Congress, value the support of the U.S. Chamber of Commerce. We all realize the importance of a balanced budget to the economic well-being of the United States. Any help in spreading the message is greatly appreciated."

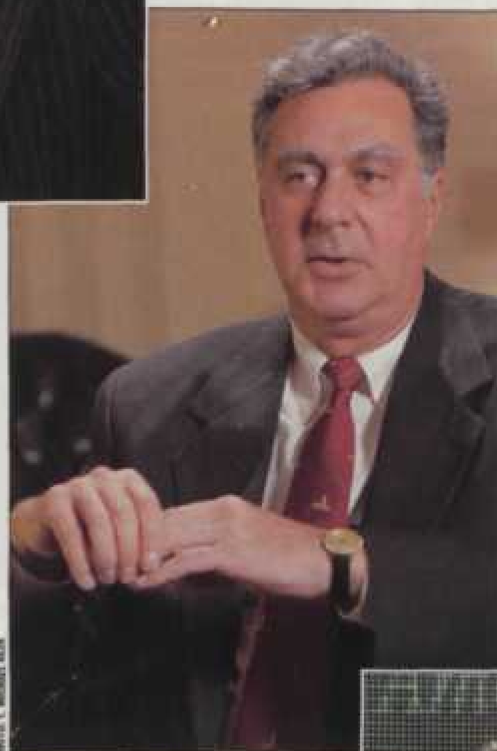
—Senate Majority Whip Trent Lott, R-Miss.

"I want to express my sincere appreciation to ... the Chamber for its efforts in getting S. 1, the Unfunded Mandates Reform Act, passed by the Senate. I am grateful for the Chamber's help in writing the private-sector provision included in the bill. ... Senate passage of S. 1 shows the U.S. Chamber of Commerce is an effective force in Washington."

—Sen. Dirk Kempthorne, R-Idaho

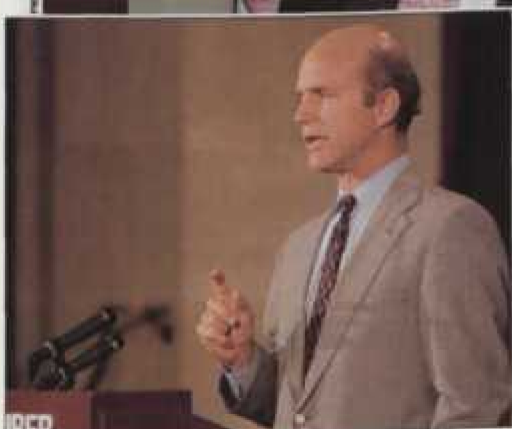
"I would like to thank the members of the U.S. Chamber of Commerce for all your efforts, which have made a difference. As co-chair of the Coalition for a Balanced Budget, [the U.S. Chamber's] efforts were instrumental in bringing the business community together ... as a cohesive force in support of the budget resolution. Without question, the assistance of the U.S. Chamber proved invaluable as the Budget Committee worked on this herculean task. ... There are few organizations of your reputation and national outreach that have such a dramatic impact on our efforts."

—House Budget Committee Chairman
John R. Kasich, R-Ohio



"I want to take a minute to extend my sincere thanks to ... the U.S. Chamber's membership for showing consistent, dependable leadership in helping my colleagues and me pass one key piece of legislation after another this Congress. ... From the beginning of the 104th Congress and the Contract With America, to co-chairing the coalition on the budget resolution, your organization has been pivotal in bringing about sound policy-making [that is] key to the U.S. economy and the American family."

—House Majority Leader
Richard K. Armey, R-Texas



"I want to commend ... your organization for all its work to help adopt a [balanced-budget amendment]. Keep up the good work."

—Rep. Pete Geren, D-Texas

"Thank you so much for the tremendous assistance and push you gave us on the amendment to increase the deductibility of health-insurance premiums for the self-employed. Sen. [David] Pryor [D-Ark.] and I really appreciate the great support from the U.S. Chamber of Commerce. We could not have done it without you."

—Senate Small Business Committee
Chairman Christopher S. Bond, R-Mo.

"The Chamber has always played a vital role in the Republican agenda, and its role will continue to grow, especially as we begin to reform 60 years of failed social policy."

—Rep. E. Clay Shaw Jr., R-Fla.

"I would like to acknowledge the efforts of the U.S. Chamber of Commerce and to thank you for your tireless help with and consistent support for the Contract [With America]. From the balanced-budget amendment, to the Congressional Accountability Act, regulatory reform, legal reform, and the Unfunded Mandates Reform Act, the Chamber has been there to keep pressure on the Congress to do the right thing."

—House Speaker
Newt Gingrich, R-Ga.

Grass-Roots Action

Depth Of Resources Boosts Effectiveness

Throughout 1995, the U.S. Chamber of Commerce marshaled its extensive resources to help reduce the cost and scope of the federal government and to improve in other ways the entrepreneurial climate for business in America.

"The involvement of our members in the legislative process and the resources the organization was able to muster allowed the Chamber to help frame, shape, and move the debate on a host of issues in 1995," said R. Bruce Josten, the Chamber's senior vice president for membership policy.

The organization's headquarters in Washington was the site of four satellite town-hall meetings aimed at rallying business support for a balanced federal budget, Medicare reform, and other measures included in or related to the House Republicans' Contract With America.

Other broadcast resources, including "First Business," the organization's weekday television news program, and the Chamber's weekly public-affairs debate show, "It's Your Business," helped educate the public on business issues. The organization's magazines, *Nation's Business* and *The Business Advocate*, furthered the Chamber's efforts in a similar way.

In its efforts to broaden the public's awareness of complex issues, the Chamber's Washington staff developed policy-education kits for interested business people.

One key resource used to mobilize the organization's most-active members was the Grassroots Action Information Network (GAIN). The system is used to alert members to pending issues and to encourage them to contact their lawmakers at critical points in the legislative process. GAIN membership climbed to more than 46,000 last year.

The Chamber also aggressively pursued opportunities to testify before congressional committees on a host of issues concerning business. In all, Chamber representatives testified 48 times before congressional panels on measures critical to business. Moreover, the Chamber's staff of specialists conducted hundreds of in-person lobbying sessions with lawmakers and their staff members, prepared a host of legislative background papers to help lawmakers and the public understand the business position on issues, and participated in numerous media briefings on business-related bills.

The U.S. Chamber employed its vast resources to help push pro-business legislation through Congress in 1995. In the top photo and the photo at left, Chamber directors William M. Koeblitz and Carol L. Ball testify before congressional committees on key business bills. Above, from left, Chamber President Richard L. Lesher, Sen. Richard C. Shelby, R-Ala., moderator Meryl Comer, and Reps. David E. Skaggs, D-Colo., and Martin Olav Sabo, D-Minn., participate in a debate on balancing the federal budget on the Chamber's public-affairs television program, "It's Your Business."

Left, Chamber activist William Stone, center, and Chamber labor specialist Peter Eide, right, discuss reform of the Occupational Safety and Health Act with Rep. Cass Ballenger, R-N.C.

The Chamber also led or helped lead a variety of coalitions supporting business positions on issues. Among them were alliances to balance the federal budget, overhaul the welfare system, reform the Clean Water Act, and establish a national highway system.

The Chamber also played a leading role in a coalition to overturn the presidential order barring federal contractors from replacing striking workers and in one to encourage the federal government to base regulatory decisions on sound scientific data. In all, the Chamber participated in more than 65 coalitions and alliances.

■ Services

New Initiatives To Help Members

Last year, the U.S. Chamber of Commerce launched three initiatives that are aimed at helping small businesses compete more effectively in the global economy.

The International Business Exchange (IBEX) system is a personal-computer-based electronic method of locating, qualifying, and negotiating domestic and international trade and investment opportunities. IBEX automatically identifies worldwide counteroffers to subscriber firms' buy, sell, or invest offers posted on the system.

Users can negotiate terms of the transactions, check credit information, and close deals from their personal computers.

The system was developed by the Global Business Alliance and is the result of a partnership with AT&T, Dun & Bradstreet Information Services, GE Information Services, and SHL Systemhouse. Also backing the venture are Chase Manhattan Bank, Simon & Shuster, and Digital Equipment Corp. It is being sponsored and marketed in the U.S. by the Chamber.

Small-Business Education

A second venture, the Small Business Institute (SBI), is designed to meet the pressing need for a simple, inexpensive way to teach small-business owners and their employees the essentials of operating a small business.

Through the SBI, the Chamber is making available to small businesses 35 clearly written, immediately useful books. There are five books under each of seven subject headings: marketing and sales; budget and finance; legal issues; human relations and communications; improving productivity; quality and customer service; and supervision/management/leadership.

Books come with a test that small-business owners or employees can fill out and return to the SBI testing center. Successful test completion earns "continuing education units," which small-business owners can use as a measure of their own or their employees' efforts to stay on top of their jobs.

Chamber On The Internet

The Chamber also established a presence on the World Wide Web, the fastest-growing segment of the global network of computer systems known as the Internet.

The organization's Web site contains information about the many products and services the organization has developed for its diverse business, state and local chambers of commerce, and association members.

The site also serves as a doorway to the ChamberMall of virtual storefronts—the term for Internet sites selling information, products, and services—established by chambers, associations, and companies worldwide.

The Chamber's Internet address is *http://www.uschamber.org/chamber.*

■ 'First Business'

Television News Show Broadens Its Reach

"First Business," the weekday business news program of the U.S. Chamber of Commerce, expanded its reach in 1995 through syndication to broadcast television stations.

The program, which entered syndication in April, is now on 66 broadcast stations reaching 49 percent of the homes in the United States.

Major markets with stations carrying the show include Chicago, Phoenix, San Francisco, Seattle, Tampa, Fla., and Washington, D.C.

The live half-hour program focuses on the interests of small business and offers a concise look at breaking news. "First Business" is broadcast by satellite from the Chamber's headquarters in Washington.

FIRST BUSINESS
U.S. Chamber of Commerce

The show is available in syndication through three satellite feeds beginning at 5 a.m., with updated versions available at 5:30 a.m. and 6 a.m. (Check local television listings for the time and station in your area.)

Many local stations are using "First Business" as a lead-in to their own early morning news shows, according to Bob Adams, vice president of broadcast for the Chamber.

In addition to broadcast stations, the show can be seen on these regional cable outlets: Cable Television Network of New Jersey (5:30 a.m.), Tennessee News & Information in Knoxville (7 a.m.), and NewsChannel 8 in the Washington, D.C. area (8:30 a.m.).

Dan Kush, right, correspondent for the U.S. Chamber's "First Business" weekday television news program, interviews Senate Majority Leader Robert Dole, R-Kan., about welfare-reform legislation.

"First Business" is sponsored by Connecticut Mutual Life Insurance Co., which also co-sponsors the Blue Chip Enterprise Initiative.

■ Highlights

Chamber Serves Members In A Wide Variety Of Ways

Lawmakers looked to the U.S. Chamber of Commerce for insight and guidance on a host of issues in 1995, and national and international leaders often used Chamber headquarters as a forum for addressing business leaders.

Highlights ranged from hosting town-hall meetings on balancing the federal budget to working with congressional leaders on business-related legislation and honoring small firms as Blue Chip Enterprises.

House Speaker Newt Gingrich, R-Ga., left, and 1992 presidential candidate H. Ross Perot discuss proposals for reforming the Medicare system at a town-hall meeting at the U.S. Chamber in Washington.

U.S. Chamber President Richard L. Lesher, left, congratulates Senate Budget Committee Chairman Pete V. Domenici, R-N.M., who was honored with the Chamber's Spirit of Enterprise Award for his support of business.

In the photo above, Sen. Paul Coverdell, R-Ga., center, and the Chamber's Vice President Lonnie Taylor, left, and Senior Vice President R. Bruce Josten review strategies for enacting a balanced federal budget. In the photo at left, House Ways and Means Committee Chairman Bill Archer, R-Texas, left, discusses pension reform with Chamber Senior Vice President Lawrence B. Kraus.

Dennis W. Sheehan, right, the Chamber's chairman in 1995, introduces the president of Mexico, Ernesto Zedillo, at an International Forum hosted by the Chamber.

U.S. Chamber Vice President and Chief Economist Martin A. Regalia explains to reporters why sweeping Medicare reforms are essential to the nation's economic well-being.

Republican freshmen Reps. David M. McIntosh of Indiana, left, Sue Myrick of North Carolina, and J.C. Watts of Oklahoma participate in one of several town-hall meetings held at the Chamber to urge support for the GOP Contract With America.

Joseph Dear, administrator of the Labor Department's Occupational Safety and Health Administration, above, and New Jersey Gov. Christine Todd Whitman were among the many notable public officials who spoke at the Chamber last year.

In the photo at right, Rep. Jan Meyers, R-Kan., left, and Sen. Christopher S. "Kit" Bond, R-Mo., outlined the agendas of their respective small-business committees at the Chamber's 1995 annual meeting.

Winners of the 1995 Blue Chip Enterprise Initiative, which recognizes small-business people who have overcome adversity, were, from left, William E. Gibbons, chairman of HOSTS Corp.; David A. Sluter, president of New England Construction Co. Inc.; Patricia A. Biedar, president of Priority Manufacturing Inc.; and Bill Hagstrom, president of UroCor, Inc. David E. Sams Jr., president and chief executive officer of Connecticut Mutual Life Insurance Co., sponsor of the award along with the U.S. Chamber of Commerce and *Nation's Business* magazine, introduced the winners.

Business Ballot

Member Poll Tracks Economy

The responses of members of the U.S. Chamber of Commerce to periodic Business Ballot polls served as a barometer for the U.S. economy in 1995.

The Chamber's Business Ballot includes three economic-outlook questions that seek members' six-month outlook for their firms' sales and employment and for the economy in general.

The Chamber uses members' responses to develop its Business Confidence Index, which is distributed to the news media, members of Congress, and the White House.

The Business Ballot also asks questions about other timely matters, frequently concerning legislation pending on Capitol Hill.

The Business Confidence Index reached its second-highest level of the year with October's 56.8, which was up from August's 53.5. (There was no December Business Ballot.) The high index for 1995 was 59.0 in February. (See the chart.)

Although the February index was down from the all-time high of 65.2 in December 1994, it was the second-highest since the index was 59.3 in April 1993. (The index was created in May 1990.)

Business's confidence in the economy fell to 56.6 in April 1995, despite significant progress by House Republicans toward passing nine of the 10 points in their Contract With America.

The index fell to 52.2 in June and rose only slightly, to 53.5, in August. Those indexes appeared to reflect, among other things, a sluggish economy, the Senate's slow progress on bills passed by the House, and growing pessimism about the ability of Congress and the Clinton administration to reach agreement on a balanced budget.

"By sagging at midyear before rebounding in the fall, the Business Confidence Index reflected the economy during 1995, which saw little growth in the second quarter and strong growth in the third quarter," says Robert D. Barr, deputy chief economist for the U.S. Chamber.

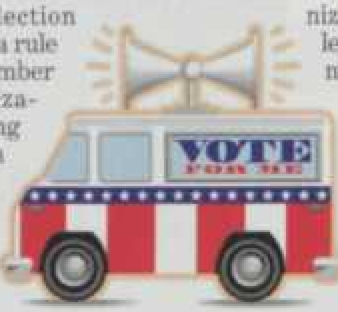
Barr added that the index's increase from August to October "reflects the hopes that declining interest rates and restored fiscal discipline in Washington will improve the business environment."

Be sure to respond to this month's Business Ballot in the polybag with your Nation's Business *and* The Business Advocate.

Communications Ban

Chamber Suit Topples Political Rule

One of the most important victories of the U.S. Chamber of Commerce in 1995 came in the political arena. The success was a result of a Chamber suit against the Federal Election Commission (FEC) over a rule that prohibited the Chamber and some other organizations from communicating with their members on political matters.



The U.S. Court of Appeals for the District of Columbia Circuit, in Washington, D.C., ruled unanimously in favor of the Chamber, calling the FEC regulation "arbitrary and capricious."

The Chamber suit challenged FEC criteria for determining who constitutes a "member" of an organization for purposes of political communications. Under an FEC rule adopted in November 1993, a member of an organization was defined as a person who has a "significant" investment or ownership stake in an organization, who can vote for at least one member of the organization's board or governing body, or who can vote directly for all board members. (The Chamber's bylaws require incumbent members of the organization's board of directors to elect new board members as vacancies occur.)

The FEC did not define "significant" investment. If any of an organization's members did not meet at least one of the new criteria, the organization could not disseminate political information to those members.

Since 1977, the Chamber has participated in the federal election process by endorsing candidates for congressional office who support business. Those endorsements had been communicated to members through the Chamber's *Endorsement Report*. Because of the FEC rule, the Chamber did not produce a report for the 1994 elections.

The Chamber filed its suit in October 1994 in U.S. District Court for the District of Columbia, in Washington, D.C., arguing that the FEC rule violated the organization's rights of free speech and association under the First Amendment and its rights of due process under the Fifth Amendment.

The District Court ruled, however, that the FEC's interpretation of a "member" was reasonable. The Chamber appealed the decision to the Court of Appeals, which agreed that "the interpretation the Commission has codified [of who constitutes a member] presents serious constitutional difficulties."

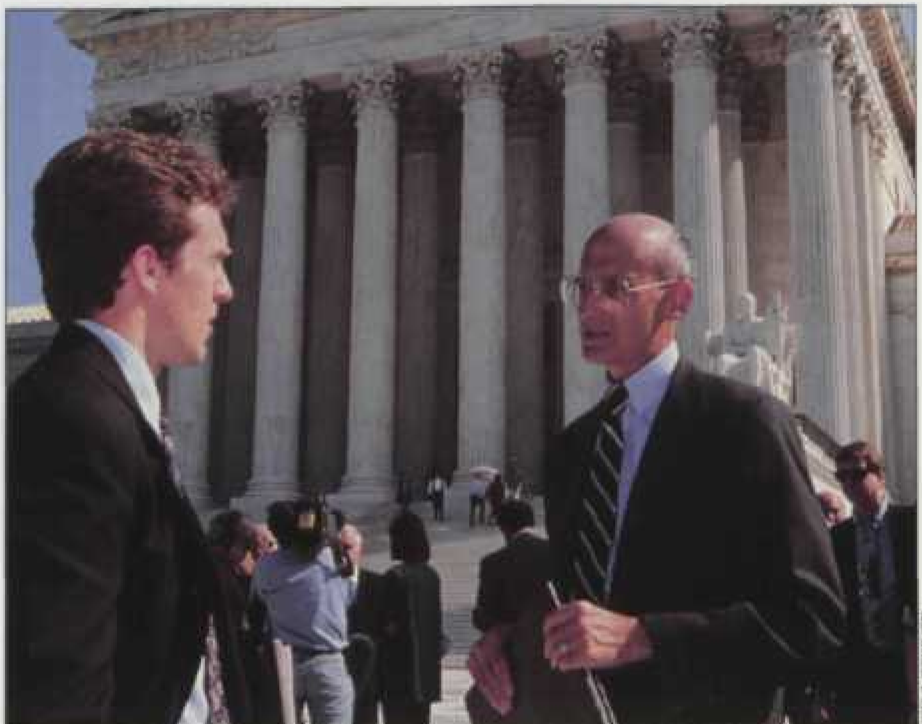
Legal Center

Important Victories In The Courts

The U.S. Chamber of Commerce had one of its most successful years ever in the legal arena in 1995. Victories were achieved on matters ranging from human resources to workplace safety.

"This has been a banner year for business litigation," said Robin S. Conrad, vice president of the Chamber's nonprofit legal affiliate, the National Chamber Litigation Center (NCLC).

Here are synopses of the 1995 court victories in which the legal center filed briefs supporting the business position:



Stephen A. Bokat, right, executive vice president of the U.S. Chamber's National Chamber Litigation Center, discusses a case with a reporter outside the U.S. Supreme Court. The NCLC had one of its most successful years in the legal arena in 1995, winning important business cases.

Striker Replacement

In its most highly publicized legal victory of the year, the Chamber argued successfully for halting enforcement of President Clinton's executive order that barred government contractors from hiring permanent replacements for striking workers.

Clinton signed the executive order March 8, and it took effect immediately. It prohibited federal agencies from contracting with companies that hire replacement workers for employees—either union or nonunion—who strike over economic conditions such as wages and benefits. It applied to firms with federal contracts of more than $100,000.

On July 31, the U.S. District Court for the District of Columbia agreed with the Chamber and other business groups filing suit to block enforcement of the order that it would unduly harm many firms contracting with the federal government.

Product Liability

The Georgia Court of Appeals agreed with the NCLC that in product-liability trials, evidence of defects should be strictly limited to the design and manufacture of the product in question.

The NCLC argued successfully that trial courts must be held responsible for enforcing the law governing admissibility of evidence in product-liability cases. It also said that judgments arising from trials in which "nonrelated" and "highly prejudicial" evidence is admitted must be overturned.

The NCLC made its arguments in a friend-of-the-court brief in *Ford vs. The Uniroyal Goodrich Tire Co.* In this proceeding, the trial court allowed the plaintiffs to present evidence of defects in some types of tires produced by Uniroyal. But there was no evidence presented of defects in the type of tire that failed on the plaintiffs' vehicle, which was involved in a serious accident as a result of the tire failure.

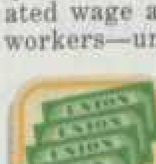
The trial court also allowed evidence of recall notices for tires other than the type on the plaintiffs' vehicle. Further, the court instructed the jury that 75 percent of any jury award for punitive damages would be paid to the Georgia Treasury for the benefit of the state's citizens. The jury awarded the plaintiffs $42 million in damages, including $25 million in punitive damages.

The appeals court cited those and other errors by the trial court in dismissing the punitive-damages award and sending the case back to the trial court for reconsideration.

Wage Mandates

The U.S. Court of Appeals for the 9th Circuit, based in San Francisco, upheld a lower-court decision and agreed with the NCLC that the National Labor Relations Act pre-empts a California county's prevailing-wage ordinance.

The case, *Chamber of Commerce of the United States vs. Bragdon*, stemmed from an ordinance passed by the Contra Costa County (Calif.) Board of Supervisors in 1990. The statute required employers to pay union-negotiated wage and benefit rates to all workers—union and nonunion—on private construction projects valued at $500,000 or more.



Federal and state prevailing-wage laws apply to projects that receive government funds. Those laws have been deemed consistent with the National Labor Relations Act, which deals with collective bargaining for wages and benefits. However, the county ordinance dictated wage rates to firms working on private projects, and the Chamber challenged the law.

In its opinion, the court said that the prevailing-wage rate required by the county "is not a wage and benefit package

that has been bargained for in any fashion by these construction employers and employees." Rather, it said, the rate "is a minimum wage and benefit package that is promulgated by the director of the Department of Industrial Relations in the state of California and ... is developed by averaging the bargains struck by other employers and employees."

OSHA Penalties

The Chamber argued successfully against the Occupational Safety and Health Administration's policy of imposing multiple penalties on a company for violating a single workplace safety or health rule.

OSHA, part of the U.S. Department of Labor, enforces the Occupational Safety and Health Act of 1970.

The Occupational Safety and Health Review Commission, an independent, presidentially appointed entity that adjudicates disputes with OSHA, agreed with the NCLC that the workplace safety and health law does not authorize assessment of multiple penalties for a single violation.

The commission ruled this way in two cases. In the first, OSHA fined Arcadian Corp. for a 1992 explosion at the firm's Lake Charles, La., fertilizer plant. The agency imposed a $50,000 penalty on the company for violating the general-duty clause of the law, which requires a safe and healthful workplace. OSHA multiplied the penalty by the 87 employees exposed to the explosion for a total fine of $4.35 million.

In the second case, the agency fined Hartford Roofing Co., of Glastonbury, Conn., $210,000 for its failure to put up a safety railing on a roof where its employees were working. That amount was determined by multiplying the proposed $35,000 fine for the single violation by the six workers exposed to the hazard.

Government Contracts

The federal government must abide by the terms of contracts into which it enters, ruled the U.S. Court of Appeals for the Federal Circuit, in Washington, D.C.

The NCLC filed a brief in support of several savings-and-loan institutions that sued the federal government for disallowing the use of goodwill as an asset on their books.

The case, *Winstar Corporation, et al. vs. U.S.*, stemmed from a government practice in the early 1980s of enticing healthy savings and loans to buy failing thrifts by allowing the healthy ones to carry millions of dollars of goodwill on their books. But Congress invalidated the use of goodwill when it passed a savings-and-loan cleanup bill in 1989.

As a result, once-healthy institutions suddenly faced failure, and many were forced to respond by selling assets, which hurt their earnings. The savings and loans sued the government for breach of contract.

The appeals court upheld a decision by the Court of Federal Claims that the government must reimburse savings and loans for damages suffered because of failure to honor its contracts.

Age Discrimination

The U.S. Supreme Court granted companies significant relief in discrimination cases in which evidence of employee misconduct would have led to the worker's dismissal. Nevertheless, the court ruled against arguments made by the NCLC in *McKennon vs. Nashville Banner Publishing Co.*

In the case, 62-year-old Christine McKennon charged a Nashville newspaper publisher with age discrimination after she was fired as part of a workforce cutback. The company later discovered that the employee had photocopied confidential documents and removed them from the work site.

The firm contended that the document copying would have been grounds for termination and argued to the court that the "after-acquired" evidence barred McKennon's discrimination suit.

The NCLC concurred that a discrimination claim should be prohibited if "after-acquired" evidence points to fraud and when the evidence is significant enough that it would have led to a refusal to hire or a decision to fire the employee.

The Supreme Court said that violations of laws barring discrimination cannot be disregarded simply because of an employee's misconduct. It did rule, however, that trial courts may deny reinstatement or damages to employees who otherwise would have been terminated because of their misconduct and that courts may limit back pay from the date of the unlawful discharge to the time the evidence of employee misconduct is discovered.

Benefit Plan Changes

In *Curtiss-Wright Corp. vs. Schoonenjongen*, the U.S. Supreme Court agreed with the NCLC that the company had satisfied rules of the federal Employee Retirement Income Security Act (ERISA) by relying on a general clause in its benefits plan to discontinue retiree health benefits.

Retirees of the Lyndhurst, N.J., maker of aircraft components sued the company in 1983. The former workers contended that the company's decision to terminate retiree health benefits violated provisions of ERISA that require benefit plans to contain detailed amendment procedures.

In lieu of specific amendment procedures, Curtiss-Wright's plan contains a reservation clause: "The Company reserves the right ... to modify or amend ... any or all of the provisions of the Plan."

Lower courts, including the 3rd U.S. Circuit Court of Appeals, based in Philadelphia, supported the retirees' contention that ERISA requires plans to contain detailed procedures for making changes in benefits.

But in its unanimous decision to overturn the lower courts, the Supreme Court said that ERISA requires only that there be an amendment procedure; the court said the law is indifferent to the procedure's level of detail.

Pre-emption Of State Laws

In another case related to ERISA, *American Airlines Inc. vs. Wolens*, the high court held that the 1978 federal Airline Deregulation Act's pre-emption provision, which is similar to ERISA's, should be broadly interpreted to promote national uniformity and consistency.

The airline act and the benefits law are similar in that both pre-empt state laws that "relate to" their subjects.

The case was initiated when participants in American Airlines' frequent-flier program sued the company under Illinois' consumer-fraud law after the airline retroactively reduced frequent-flier benefits. The plaintiffs challenged the retroactive modifications to the program and charged that the changes constituted a breach of contract.

The Supreme Court, agreeing with the NCLC, ruled that the modifications could not be challenged under the state consumer-fraud law because, like ERISA, the airline-deregulation statute preempts any state law that relates to, in this case, airline rates, routes, or services.

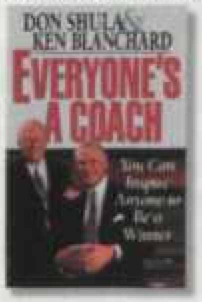
The court did find, however, that the changes in the frequent-flier program constituted a breach of contract, and it sent the case back to the Illinois Supreme Court for further consideration on that point.

U.S. Chamber MemberServices

The U.S. Chamber of Commerce offers numerous services and publications to its members. Here is a partial listing of these benefits.

Management Training

Following the success of its spring and fall 1995 management seminars, the U.S. Chamber of Commerce has announced its spring 1996 series.



Ken Blanchard, chairman and author of several management books—including *Everyone's A Coach*, written with Don Shula—and Bob Nelson, vice president of Blanchard Training and Development, Inc., of Escondido, Calif., will kick off the spring series of seminars produced by the Chamber's Quality Learning Services (QLS) Department.

"Coaching From the Heart: You Can Inspire Anyone to Be a Winner," will be the topic of their March 5 seminar, which will be downlinked via satellite from 1 to 3 p.m. Eastern time at locations nationwide.

The remainder of the schedule for the spring series is:

March 12—Jon R. Katzenbach, director, McKinsey & Co., a management consulting firm headquartered in Houston, "The Secret of 'Real Change'—Not What You Think."

April 2—Scott Brown, president, Conflict Management Group, Cambridge, Mass., "Negotiation Skills: The Key to Managing Your Career."

April 16—Harvey Mackay, author and chairman and chief executive officer, Mackay Envelope Corp., Minneapolis, "Swim With the Sharks: How to Outsell, Outmanage, Outmotivate and Outnegotiate Your Competition."

April 30—Stuart R. Levine, chief executive officer, Dale Carnegie Training, Garden City, N.Y., "Just in Time Leadership."

May 7—Ken Dychtwald, author and president, chief executive officer, and founder, Age Wave, Inc., and Maddy Kent-Dychtwald, co-founder, Age Wave, Inc., an Orinda, Calif., firm that studies aging and its impact on business, "The Coming Age Wave: Implications for the Future of Work, Marketing and Sales."

May 22—Robert J. Kriegel, author, *If It Ain't Broke ... BREAK IT!*, "Sacred Cows Make the Best Burgers."

June 5—Les Brown, author, *Live Your Dreams*, "Live Your Dreams." This seminar will air from 6 to 8 p.m. Eastern time.

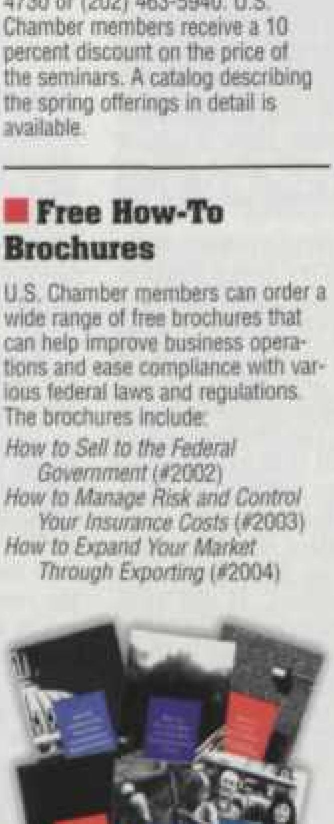
Unless the listing notes otherwise, the spring seminars will air from 1 to 3 p.m. Eastern time.

For information on the seminar site nearest you or to learn how you can host a downlink site, call the Chamber's Federation Programs and Services Division at 1-800-835-4730 or (202) 463-5940. U.S. Chamber members receive a 10 percent discount on the price of the seminars. A catalog describing the spring offerings in detail is available.

Free How-To Brochures

U.S. Chamber members can order a wide range of free brochures that can help improve business operations and ease compliance with various federal laws and regulations. The brochures include:

How to Sell to the Federal Government (#2002)
How to Manage Risk and Control Your Insurance Costs (#2003)
How to Expand Your Market Through Exporting (#2004)



How to Obtain Good Legal Advice and Control Your Legal Costs (#2006)
How to Obtain Small Business Financing (#2007)
How to Prevent Drug Abuse in the Workplace (#2008)
How to Manage AIDS in the Workplace (#2009)
How to Comply with the OSHA Hazard Communication Standard (#2011)
How to Test Your Benefit Plans for Discrimination (#2013)
How to Locate Information for Your Family Business (#2014)
How to Succeed in Franchising (#2015)
How to Comply with the Americans with Disabilities Act (#2016)
How to Communicate with Your Congressional Representatives (#2017)
How to Comply with the Civil Rights Act of 1991 (#2018)
How to Comply with the Family and Medical Leave Act (#2019)
How to Comply with OSHA (#2020)

To order, call 1-800-638-6582 (in Maryland, call 1-800-352-1450), or write U.S. Chamber of Commerce, Publications Fulfillment (RKVL), 1615 H Street, N.W., Washington, D.C. 20062-2000. Please include the numbers of the publications you are ordering.

New Resources For Firms' Owners, Employees

One of the new initiatives launched by the U.S. Chamber in 1995 is the Small Business Institute. The institute provides owners, managers, and employees of small businesses with affordable resources to increase profits, improve job knowledge, and run a stronger, more successful company.

The institute offers 35 books designed specifically for small businesses. Each costs less than $20, and the selection provides information and assistance on marketing and sales; budgeting and finance; legal issues; human relations and communications; improving productivity; quality and customer service; and supervision, management, and leadership.

For more information about the Small Business Institute, call the Chamber's Federation Programs and Services Division at 1-800-835-4730. To order the books, call 1-800-884-2880.

Member Assistance

Chamber members seeking information about federal policies, legislation, and other developments in Washington that affect business can call the nearest Chamber Membership Service Center.

Listed are the service centers, with phone numbers and the states they serve.

Eastern Center
(301) 424-1860
(Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.)

Midwestern Center
(708) 574-7543
(Colorado, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.)

Southeastern Center
(404) 393-0140
(Alabama, Florida, Georgia, North Carolina, Puerto Rico, South Carolina, Virginia, and West Virginia.)

Southwestern Center
(214) 387-1099
(Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, Tennessee, and Texas.)

Western Center
(408) 371-6000
(Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington, and Wyoming.)